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## REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

*Quarter Ended December 31, 2004*

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## STATEMENT OF PURPOSE

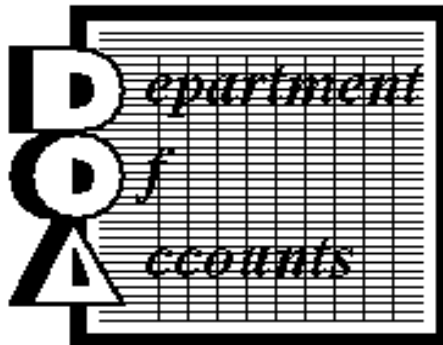
The *Code of Virginia* requires that the Department of Accounts (DOA) monitor and account for all transactions involving public funds. In order to carry out this mandate, the Department uses a variety of measures, including automated controls, statistical analyses, pre-audits and post-audits, staff studies and reviews of reports issued by the Auditor of Public Accounts. When taken as a whole, these measures provide an important source of information on the degree of agency compliance with Commonwealth accounting and financial management policies, internal controls, procedures, regulations, and best practices.

The Comptroller's *Report on Statewide Financial Management and Compliance* (the *Quarterly Report*) is a summary of measures used by DOA to monitor transactions involving public funds and report findings to the Governor, his Cabinet, and other senior State officials. The *Quarterly Report* uses exception reporting and summary statistics to highlight key findings and trends. The Department also provides additional detailed financial management statistics for agencies and institutions of higher education.

This *Quarterly Report* includes information for the quarter ended December 31, 2004 and comparative FY 2004 data. Some information in the report is for the quarter ended September 30, 2004, which is the most current data available.



David A. Von Moll, CPA, CGFM  
Comptroller



## COMPLIANCE

### Auditor of Public Accounts Reports - Executive Branch Agencies

Agency audit reports issued by the Auditor of Public Accounts (APA) may contain findings because of noncompliance with state laws and regulations. Agencies may also have internal control findings considered to be reportable conditions. Reportable conditions involve matters relating to significant deficiencies in the design or operation of internal control that, in the Auditor's judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions of management.

Each agency must provide a written response that includes a Corrective Action Work plan (CAW) to the Department of Planning and Budget, the Department of Accounts, and the agency's Cabinet Secretary when its audit report contains one or more audit findings. Work plans must be submitted within 30 days of receiving the audit report. Commonwealth Accounting Policies and Procedures (CAPP) manual, Topic 10205, *Agency Response to APA Audit*, contains instructions and guidance on preparing the work plan.

### *Audit Reports – Quarter Ended December 31, 2004*

The APA issued 15 separate reports covering 19 agencies, offices, boards, commissions and universities for the Executive Branch agencies listed on the following table. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
<b>Administration</b>				
Governor's Cabinet Secretaries	0	0	0	N/A
Division of Selected Agencies Support Services	0	0	0	N/A
State Board of Elections	0	0	0	N/A
<b>Commerce and Trade</b>				
Department of Minority Business Enterprise	2	2	4	No
Virginia Employment Commission	0	0	0	N/A
Virginia Racing Commission	0	0	0	N/A
<b>Education</b>				
Virginia Biotechnology Research Park Authority	0	0	0	N/A
<b>Elected Officials</b>				
None Issued				
12/31/04 <i>Quarterly Report</i>	2			Department of Accounts

	New Findings	Repeat Findings	Total Findings	CAW Received
<b>Independent</b>				
Virginia College Savings Plan	0	0	0	N/A
<b>Health and Human Resources</b>				
Department for the Aging	0	0	0	N/A
Department of Medical Assistance Services	4	0	4	Yes
<b>Natural Resources</b>				
None Issued				
<b>Public Safety</b>				
Department of Alcohol Beverage Control	0	0	0	N/A
<b>Technology</b>				
Innovative Technology Authority	0	0	0	N/A
Innovative Technology Authority, including its blended component unit, the Center for Innovative Technology	0	0	0	N/A
<b>Transportation (1)</b>				
Agencies of the Secretary of Transportation:				
Department of Transportation	1	1	2	Yes
Department of Motor Vehicles	1	1	2	Yes
Department of Rail and Public Transportation	1	0	1	Yes
Department of Aviation	0	0	0	N/A
Motor Vehicle Dealer Board	0	0	0	N/A
Virginia Port Authority	0	0	0	N/A

(1) The APA issued one report on the Agencies of the Secretary of Transportation, which included the Departments of Transportation, Motor Vehicles, Rail and Public Transportation, and Aviation, the Motor Vehicle Dealer Board, and the Virginia Port Authority. The APA also issued a separate report on the Virginia Port Authority for inclusion in the Authority's Annual Report.

## **Agency Findings – Quarter Ended December 31, 2004**

The following agencies had one or more findings contained in their audit report. Short titles assigned by APA are used to describe the finding, along with a brief summarization of the comments. The audit reports contain the full description of each finding.

### **Commerce and Trade**

#### ***Department of Minority Business Enterprise***

1. Consolidate Fiscal and Procurement Operations with Another Agency. **As noted in the prior audit,** The Department should consolidate operations with another large agency. Department management does not concur. Internal control weaknesses continue. The Secretary and the Governor should consider this recommendation.
2. Improve Controls over Outside Bank Account. The Director has sole access to the outside bank account. There is no segregation of duties. As a compensating control, a staff specialist keeps a check log and reconciles the bank statement. Deposits were not made timely and had inadequate supporting documentation.
3. Update Memorandum of Understanding and Funding Plan. The Department receives funding from VDOT to help certify and assist minority contractors in doing business with VDOT. The Memorandum is vague and does not address the total disposition of funds and what activities are covered under the agreement.
4. Improve Controls over Cell Phones. **As noted in the prior audit,** the Department is not reviewing wireless service charges in a timely manner. Some employees are still not following internal policies and procedures. Other employees appear to be using the cell phones for personal use. In addition, two unused phones were paid for, and phone plans do not appear appropriate based on actual usage, resulting in higher charges for overuse.

### **Health and Human Services**

#### ***Department of Medical Assistance Services***

1. Improve Consumer Directed Personal Attendant (CDPAS) Payroll Database Integrity. The Department does not have adequate policies and procedures to ensure database integrity for personal attendant payroll. All users had the same access capability, there was lack of segregation of duties, control measures can be overridden, there is no audit trail to identify what user is doing what function, and timesheets were not signed by attendants.
2. Strengthen Case File Documentation. In cases reviewed, evidence did not support determination of adequacy and appropriateness of personal attendant services. In addition, there was no evidence to indicate the Department enforced the requirements before making payments to providers.

3. Ensure Timely Credit to Medicaid Program. Section 42 CFR 433.40 of the Code of Federal Regulations requires refunds of Federal Financial Participation (FFP) for checks remaining un-cashed beyond 180 days. DMAS failed to return FFP for uncashed checks for the first three quarters of fiscal year 2004.
4. Follow Policies and Procedures for the Processing of Mental Retardation Waiver Claims. DMAS had no audit trail showing verification of provider and recipient eligibility. Further, there was no determination that claims fell within claim limits, and there was the potential for processing duplicate claims.

## **Transportation**

### ***Virginia Department of Transportation***

1. Ensure Compliance with COV ITRM Standard SEC 2001-01.1. **As noted in their prior audit**, The Department has not reviewed and updated the agency's risk assessment and business impact analysis in accordance with Commonwealth Information Technology policy. Policy calls for an update every three years or when there is a significant change in critical systems. VDOT has not performed these actions since March 2001.
2. Improve Policies and Procedures for Security Controls on the PeopleSoft/FMSII and UNIX Systems. A review of general IT controls at VDOT revealed that there are several administrative functions that are not documented in the current IT policy.

### ***Department of Motor Vehicles***

1. Assess Needs and Develop Policies and Procedures Over the Fuels Tax Program. **As noted in the prior audit**, the Department has not developed formal policies and procedures addressing transactions processed by the Fuels Tax Division.
2. Strengthen Controls Over Access to the CARS System. The Director of Internal Audit was given Level 6 instead of Level 5 access to the CARS system. The correct level would have been Level 5 which would allow agency inquiry only. The level was subsequently reset.

### ***Department of Rail and Public Transportation***

1. Strengthen Internal Controls in the Budgeting and Accounting Support Functions. Maintaining internal controls and experienced staff is difficult because of low staffing levels. Either support functions should be shared or staff levels raised.

## Compliance Monitoring

### **Exception Registers**

The Commonwealth Accounting and Reporting System (CARS) contains the Commonwealth's official accounting records. Therefore, State accounting policy requires that each agency reconcile its internal accounting records to CARS at least monthly and submit the results of the reconciliation via an exception register.

DOA closely monitors exception register status, evaluates exceptions, and posts correcting entries in CARS. Exception

registers for September, October and November were due 10/29/04, 11/30/04, and 12/30/04, respectively.

**The exception register form was modified in November. Fiscal officers must now attest to the adequacy of the agency internal controls. The use of this new form is mandatory. Agencies that do not use the new form, beginning with the December close, will be listed in the quarterly report.**

### **Exception Registers Late or Outstanding**

*As of January 26, 2005*

	Sep	Oct	Nov
University of Mary Washington	O/S	O/S	O/S
Frontier Culture Museum of Virginia	1/6/05	-	-

Key: O/S – Exception Register is outstanding  
DATE – The date received by DOA

### **Disbursement Processing**

During the quarter ended December 31, 2004, DOA deleted, at the submitting agency's request, 86 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments with incorrect vendors or addresses, and payments with incorrect amounts. This type of transaction may point to areas where improved agency internal accounting controls should be evaluated.

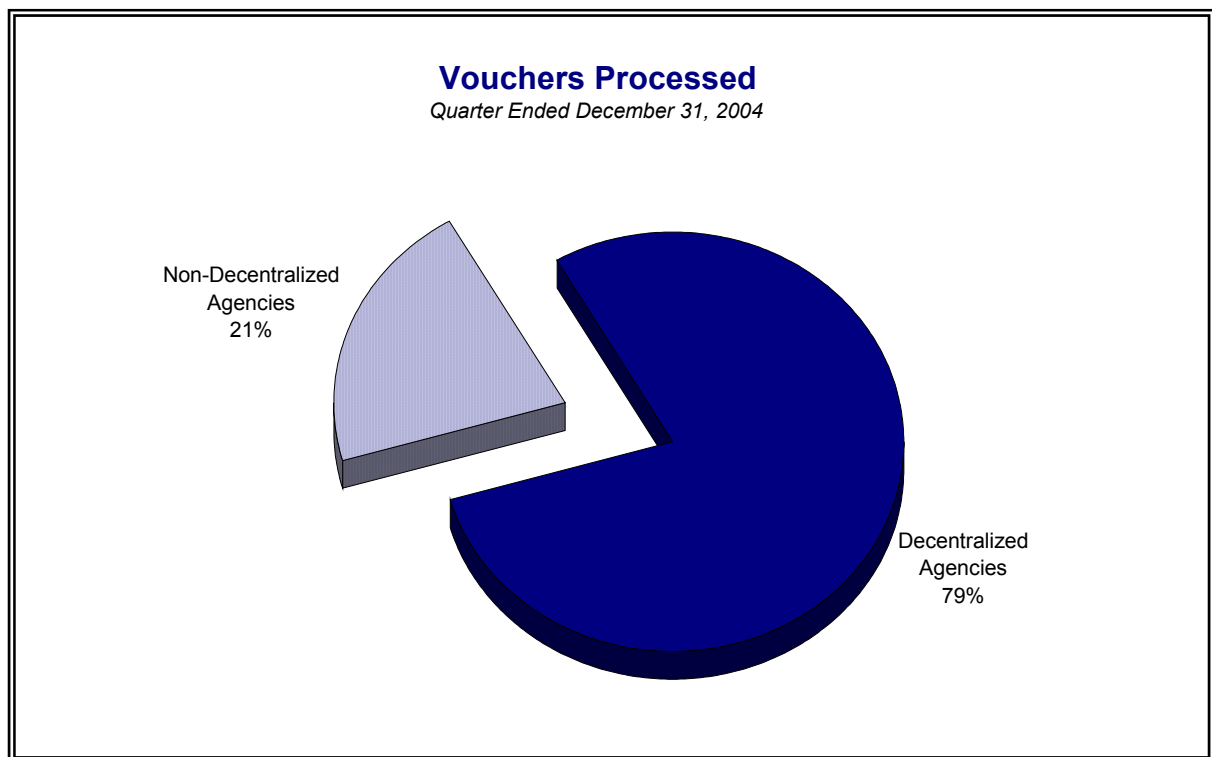
Twenty-nine agencies requested deletes during the quarter. Agencies that requested more than four vendor payment deletes during the quarter are as follows:

- Department of Transportation

## Paperwork Decentralization

The Commonwealth has decentralized the pre-auditing of most disbursements to individual agencies under a grant of delegated authority from the State Comptroller. Prior to the implementation of the program, over two million document sets (batches) were sent to the central repository each year. This program reduces the flow of documents from these agencies to the central repository in Richmond.

The overall quality of the State pre-audit program is monitored through the use of quality control reviews conducted by DOA staff. Results of these reviews are provided to the agency with corrective action recommendations. The great majority of problems encountered involve documentation inconsistencies, which should be easily corrected. Travel vouchers continue to be the primary source of all problems found.



Note: Totals include vouchers processed by decentralized higher education institutions.



### ***Decentralized Agencies***

Compliance reviews were conducted for six decentralized agencies during the quarter. The agencies were evaluated for compliance with State expenditure policies and procedures. Vouchers are selected for review based on a random sample designed to ensure 95 percent confidence in the conclusions.

The Exception Rate is determined by dividing the number of compliance findings by the number of vouchers reviewed. The primary reasons for an Exception Rate exceeding 3.9 percent are provided below.

<b>Compliance Rating Legend</b>	
> 9.9%	Unacceptable Performance
7.0% to 9.9%	Minimal Performance
4.0% to 6.9%	Satisfactory Performance
1.0% to 3.9%	Good Performance
< 1.0%	Exceptional Performance

<b>Decentralized Agency</b>	<b>Vouchers Reviewed</b>	<b>Compliance Findings</b>	<b>Exception Rate</b>	<b>Performance Measurement</b>
<b><i>Administration</i></b>				
Department of Veterans Services	284	65	22.9%	Unacceptable
<b><i>Health and Human Resources</i></b>				
Catawba Hospital	258	7	2.7%	Good
Southern Virginia Mental Health Institute	260	6	2.3%	Good
<b><i>Public Safety</i></b>				
Brunswick Correctional Center	295	10	3.4%	Good
Buckingham Correctional Center	245	8	3.3%	Good
Mecklenburg Correctional Center	184	5	2.7%	Good

Note: No reviews were performed during the quarter for agencies that report to the Secretaries of Commerce and Trade, Education, Finance, Natural Resources, Technology, and Transportation.

## ***Agencies With Performance Ratings Lower Than “Good”***

***Department of Veterans Services*** – Unacceptable Performance – Of the 65 findings, 21 were related to travel vouchers, 17 were related to Small Purchase Charge Card vouchers, 16 were related to Petty Cash vouchers, 7 were related to Vendor Payment vouchers, and 4 were related to Moving and Relocation vouchers. The following items represent the majority of these findings:

### Travel Vouchers

- ◆ Commute miles not deducted (20)

### Small Purchase Charge Card

- ◆ Original invoice absent (6)
- ◆ Hotel charges on SPCC (2)
- ◆ Monthly transaction limit absent (2)
- ◆ Single transaction limit over \$5,000 (2)
- ◆ Transaction log not approved by supervisor (2)

### Petty Cash

- ◆ Original receipt absent (7)
- ◆ Supporting documentation absent (4)
- ◆ Meals and Incidental Expenses over the guidelines (3)
- ◆ Lodging over the guidelines (2)

### Vendor Payment Vouchers

- ◆ Incorrect due date (7)

### Moving and Relocation

- ◆ Summary Sheet absent (1)
- ◆ Summary Sheet and Tenure Agreement absent (1)
- ◆ Summary Sheet absent / Should have been paid as Payroll Special Payment (1)
- ◆ Summary Sheet and Tenure Agreement absent / Receipt absent / Travel voucher not used for documentation / Should have been paid as Payroll Special Payment (1)

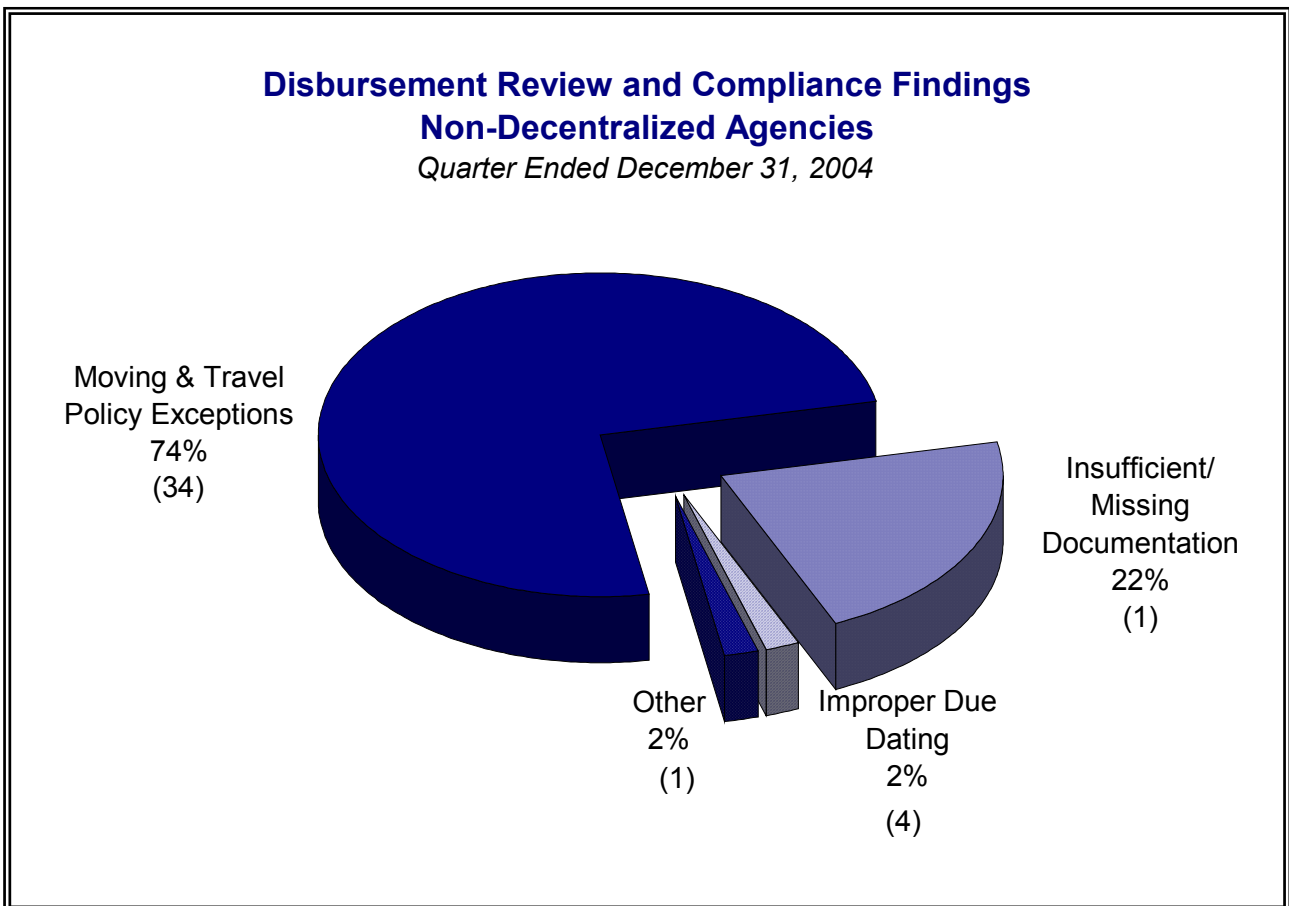


### ***Non-Decentralized Agencies***

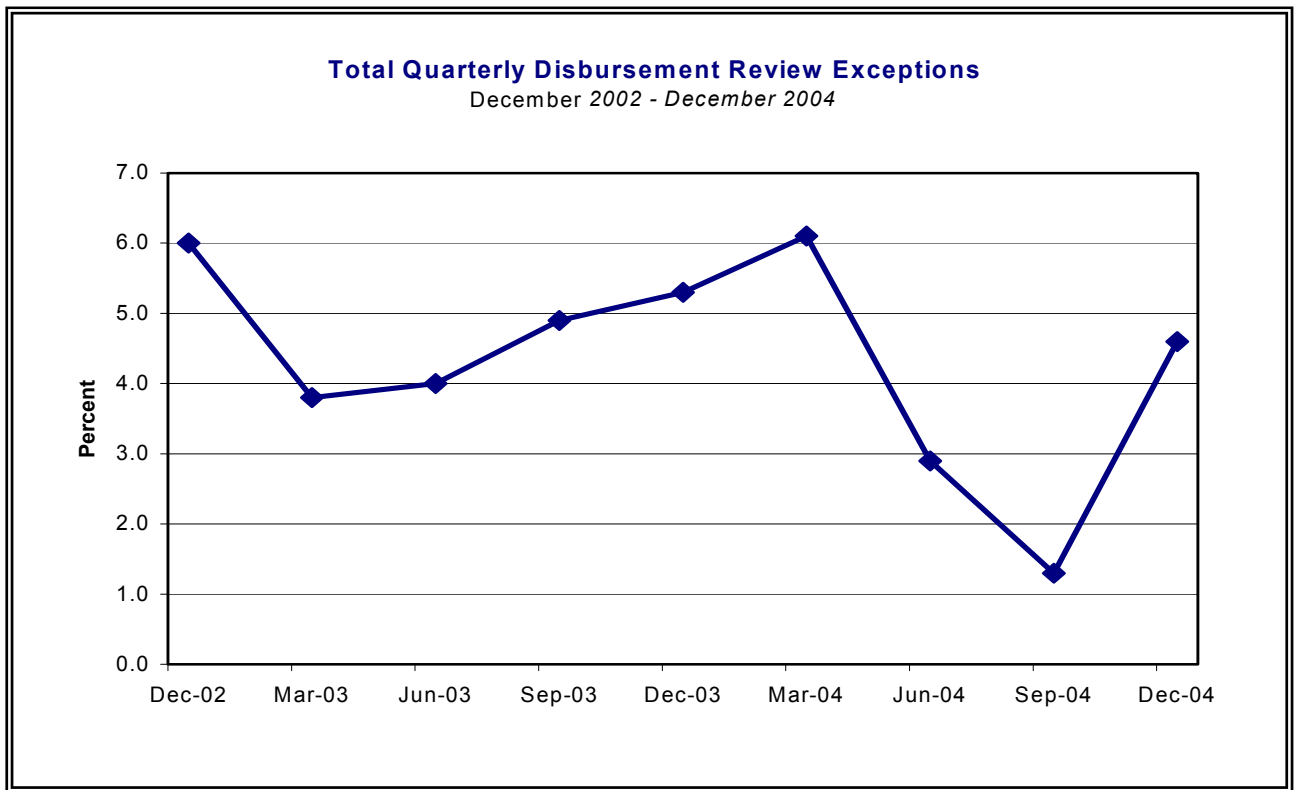
Pre-audit of disbursements is conducted at the Department of Accounts for certain agencies that have not demonstrated the capability to manage a delegated program (i.e., have not met statewide decentralization management standards), agencies for which the cost of delegation is greater than the efficiency benefits to be gained through decentralization, or those few agencies, primarily those comprised of elected

officials and cabinet officers, for whom this additional safeguard is warranted.

During the quarter, DOA reviewed 128 non-decentralized agencies on a rotating schedule. A total of 832 non-travel disbursement batches and 280 travel disbursement batches were reviewed, disclosing 51 exceptions that were resolved prior to releasing the transactions for payment.



The following chart compares compliance findings as a percentage of total batches reviewed among non-decentralized agencies, by quarter, for the past two years.



## Prompt Payment Compliance

The Prompt Payment Act requires that State agencies and institutions pay for goods and services by the required payment due date. The reporting required by the Code of Virginia Section 2.2-4356 is being met by the information presented here. This section details the number and dollar amounts of late payments by secretarial area, institutions

and agencies, and the total amount of interest paid. Agencies and institutions that process 50 or more vendor payments during a quarter are reported as not meeting Prompt Pay requirements if fewer than 95 percent of their payments are processed by the required due date.

### Statewide Prompt Payment Performance Statistics

	<i>Quarter Ending December 31, 2004</i>		<i>Fiscal Year 2005 To Date</i>		<i>Comparative Quarter Ended December 31, 2003</i>	
	<i>Late</i>	<i>Total</i>	<i>Late</i>	<i>Total</i>	<i>Late</i>	<i>Total</i>
Number of Payments Payments	7,273	641,147	15,721	1,329,227	8,284	645,147
Dollars (in thousands)	\$ 31,249	\$ 1,199,273	\$ 69,408	\$ 2,599,297	\$ 30,111	\$ 1,181,511
Interest Paid on Late Payments				\$ 7,348		
Current Quarter Percentage of Payments in Compliance				98.9%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.9%		
Comparative Fiscal Year 2004 Percentage of Payments in Compliance				98.8%		



### Prompt Payment Performance by Secretarial Area

Quarter Ended December 31, 2004

<b>Secretarial Area</b>	<b>Payments in Compliance</b>	<b>Dollars in Compliance</b>
Administration	99.2%	96.7%
Commerce and Trade	98.7%	95.5%
Education*	98.8%	97.4%
Elected Officials	99.2%	86.9%
Finance	99.7%	99.9%
Health and Human Resources	99.0%	97.8%
Independent Agencies	99.4%	99.6%
Judicial	99.4%	98.7%
Legislative	99.9%	99.6%
Natural Resources	99.2%	98.6%
Public Safety	99.2%	98.3%
Technology	94.4%	92.7%
Transportation*	99.0%	96.5%
<b>Statewide</b>	<b>98.9%</b>	<b>97.4%</b>

### Prompt Payment Performance by Secretarial Area

Fiscal Year 2005

<b>Secretarial Area</b>	<b>Payments in Compliance</b>	<b>Dollars in Compliance</b>
Administration	98.5%	97.8%
Commerce and Trade	98.7%	97.5%
Education*	98.9%	97.6%
Elected Officials	98.6%	91.4%
Finance	99.0%	99.7%
Health and Human Resources	98.9%	95.1%
Independent Agencies	99.0%	98.7%
Judicial	99.2%	99.3%
Legislative	99.9%	99.7%
Natural Resources	99.4%	99.2%
Public Safety	99.2%	98.7%
Technology	95.6%	95.0%
Transportation*	99.1%	97.0%
<b>Statewide</b>	<b>98.9%</b>	<b>97.4%</b>

\* Statistics include those provided independently by Virginia Port Authority, Virginia Polytechnic Institute and State University, University of Virginia, Radford University, James Madison University, Old Dominion University, Virginia Commonwealth University, George Mason University, the College of William and Mary in Virginia, The Virginia Institute of Marine Science, and the University of Mary Washington and may include local payments. These agencies and institutions are decentralized for vendor payment processing.

For the quarter ended December 31, 2004, the following agencies and institutions that processed more than 50 vendor payments during the quarter were below the 95 percent prompt payment performance standard.

**Prompt Payment Compliance Rate**  
**Agencies Below 95%**  
*Quarter Ended December 31, 2004*

<b>Agency</b>	<b>Late Payments</b>	<b>Total Payments</b>	<b>Payments in Compliance</b>
<b>Education</b>			
Frontier Culture Museum of Virginia	16	251	93.6%
Virginia Institute of Marine Science	225	3,414	93.4%
Gunston Hall Plantation	34	118	71.2%
<b>Health and Human Resources</b>			
Central Virginia Training Center	166	1,797	90.8%
<b>Administration</b>			
Department of Human Resource Management	17	185	90.8%
<b>Technology</b>			
Virginia Information Technologies Agency	181	3,187	94.3%

For FY 2005, the following agencies and institutions that processed more than 200 vendor payments during the year were below the 95 percent prompt payment performance standard.

**Prompt Payment Compliance Rate**  
**Agencies Below 95%**  
*Fiscal Year 2005 to Date*

<b>Agency</b>	<b>Late Payments</b>	<b>Total Payments</b>	<b>Payments in Compliance</b>
<b>Education</b>			
Gunston Hall Plantation	54	240	77.5%
<b>Health and Human Resources</b>			
Eastern State Hospital	276	5,397	94.9%
Central Virginia Training Center	267	3,741	92.9%
Southside Virginia Training Center	408	4,974	91.8%
<b>Administration</b>			
Department of Human Resource Management	24	378	93.7%

### *Prompt Payment Explanations*

Explanations for low prompt payment compliance rates for the second quarter of FY 2005 and year to date were provided by the following agencies. Not all agencies elected to provide written explanations.

The **Department of Human Resource Management** reports payment delays due to keying the incorrect fiscal year in the due date field.

The **Virginia Information Technology Agency** reports prompt pay compliance dropped in October after implementing the Direct Bill process with the first wave of large transitioned agencies. Both VITA and the agencies have had to learn this new process. Implementing the receiving procedure seems to be the largest hurdle for the transitioned agencies. With each new wave of transitioned agencies, these challenges have grown. The solution is training agency and VITA employees on these new procedures and working with DGS to implement fixes in eVA. These efforts are on-going, and prompt pay compliance for November and December 2004 was significantly improved over October 2004.

The **Frontier Culture Museum of Virginia** reports staff changes and shortages affected prompt pay standards

for the second quarter. One person handled all of the work for the department until replacements could be made.

**Central Virginia Training Center** reports continued insufficient special fund cash flow during the second quarter of the fiscal year. A treasury loan was obtained in January by the central office control agency to alleviate this problem.

In July, **Eastern State Hospital** had a low prompt payment compliance rate, which continues to affect year-to-date results. The July results reportedly resulted in part from special fund cash flow difficulties experienced by the Department of Mental Health, Mental Retardation and Substance Abuse Services. Since July, compliance has improved.

The **Southside Virginia Training Center** did not meet prompt payment due to a reported shortage of special fund cash. This shortfall has been resolved for the remainder of the fiscal year.

**Gunston Hall** reports understaffing hampers compliance, but they are still striving to meet prompt payment.





## E-Commerce

The primary goal of the Department of Accounts' electronic commerce initiative is to reduce the number of state issued checks by using more efficient electronic payment processes. Tools such as Financial Electronic Data Interchange (EDI), Payroll Direct Deposit, and the Small Purchase Charge Card (SPCC) are more reliable and cost effective than traditional paper checks. Electronic payments are also more secure because of the use of encryption devices and other security measures. In addition to these tools, the use of electronic earnings notices through the Payline Opt Out program further reduces paper processing and related costs.

EDI, Direct Deposit, SPCC and Payline Opt Out are best practices that demonstrate effective financial management, particularly during difficult economic times. They increase efficiency in processing and eliminate wasteful use of time, paper, printing, and postage for both large and small vendor payments, payroll, and employee travel reimbursement. Agencies and institutions are expected to embrace these practices to the fullest extent possible. On the following pages, agencies and institutions are identified if e-commerce statistics indicate that they are not fully utilizing these tools.

### Statewide E-Commerce Performance Statistics

	<i>Quarter Ended December 31, 2004</i>			<b>Comparative Quarter Ended December 31, 2003</b>
	<b>E-Commerce</b>	<b>Total</b>	<b>Percent</b>	<b>Percent</b>
<b>Number of Payments</b>	615,547	1,028,399	59.9%	56.2%
<b>Payment Amounts</b>	\$ 5,774,824,339	\$ 6,615,054,339	87.3%	84.9%

	<i>Fiscal Year 2005 to Date</i>			<b>Comparative Fiscal Year 2004</b>
	<b>E-Commerce</b>	<b>Total</b>	<b>Percent</b>	<b>Percent</b>
<b>Number of Payments</b>	1,138,519	1,966,453	57.9%	56.2%
<b>Payment Amounts</b>	\$ 11,459,581,754	\$ 13,216,996,059	86.7%	84.4%

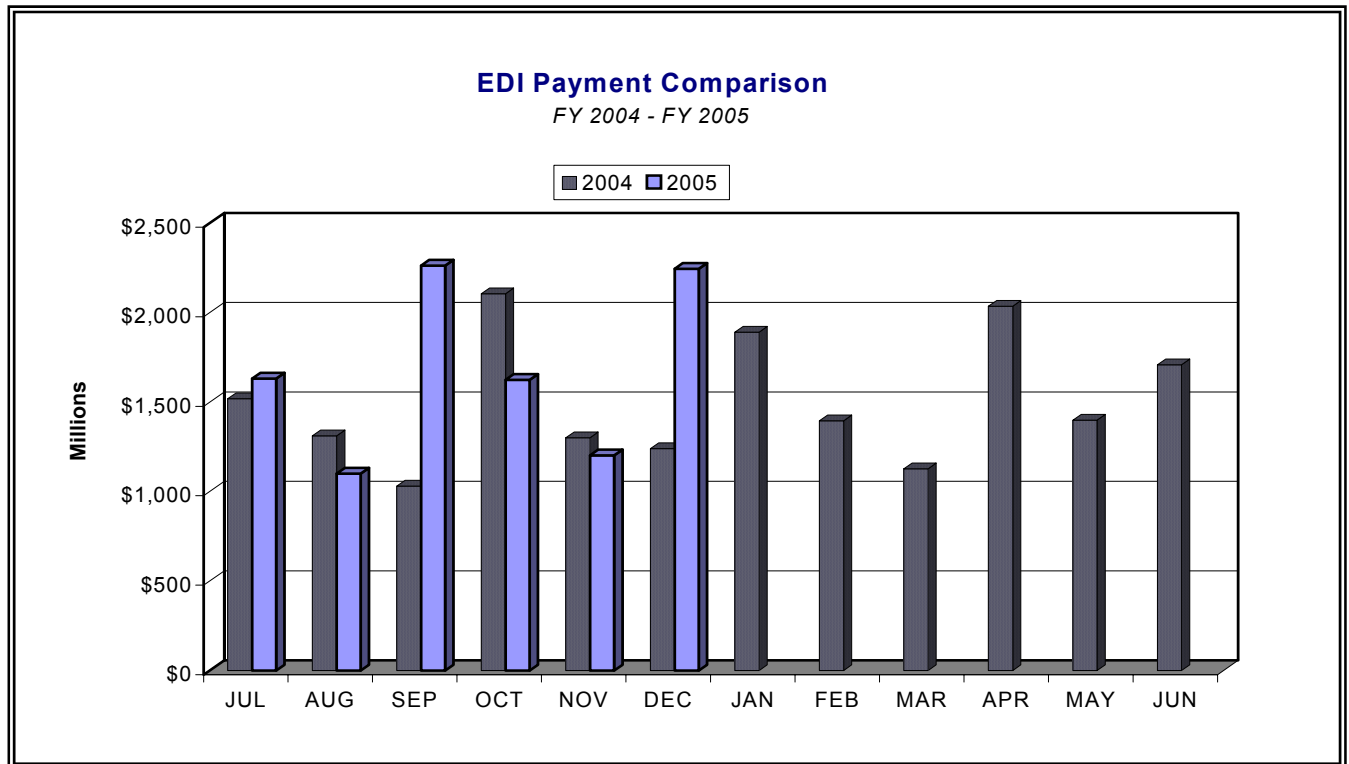
### *Financial Electronic Data Interchange (EDI)*

The dollar volume of Financial EDI payments for the second quarter of FY 2005 was \$425 million (9 percent) more than the same quarter last year. The number of trading partner accounts

increased by 60 percent from December 2003. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

#### **Financial EDI Activity**

<b><i>Financial EDI Activity</i></b>	<b><i>Quarter Ended December 31, 2004</i></b>	<b><i>Fiscal Year 2005 to Date</i></b>	<b><i>Comparative FY 2004 to Date</i></b>
Number of Payments	44,765	85,722	63,760
Amount of Payments	\$ 5,068,663,121	\$ 10,060,694,569	\$ 8,502,844,422
Number of Invoices Paid	177,558	356,051	306,257
Estimated Number of Checks Avoided	73,490	144,554	117,848
Number of Trading Partner Accounts As of 12/31/04		26,882	16,823

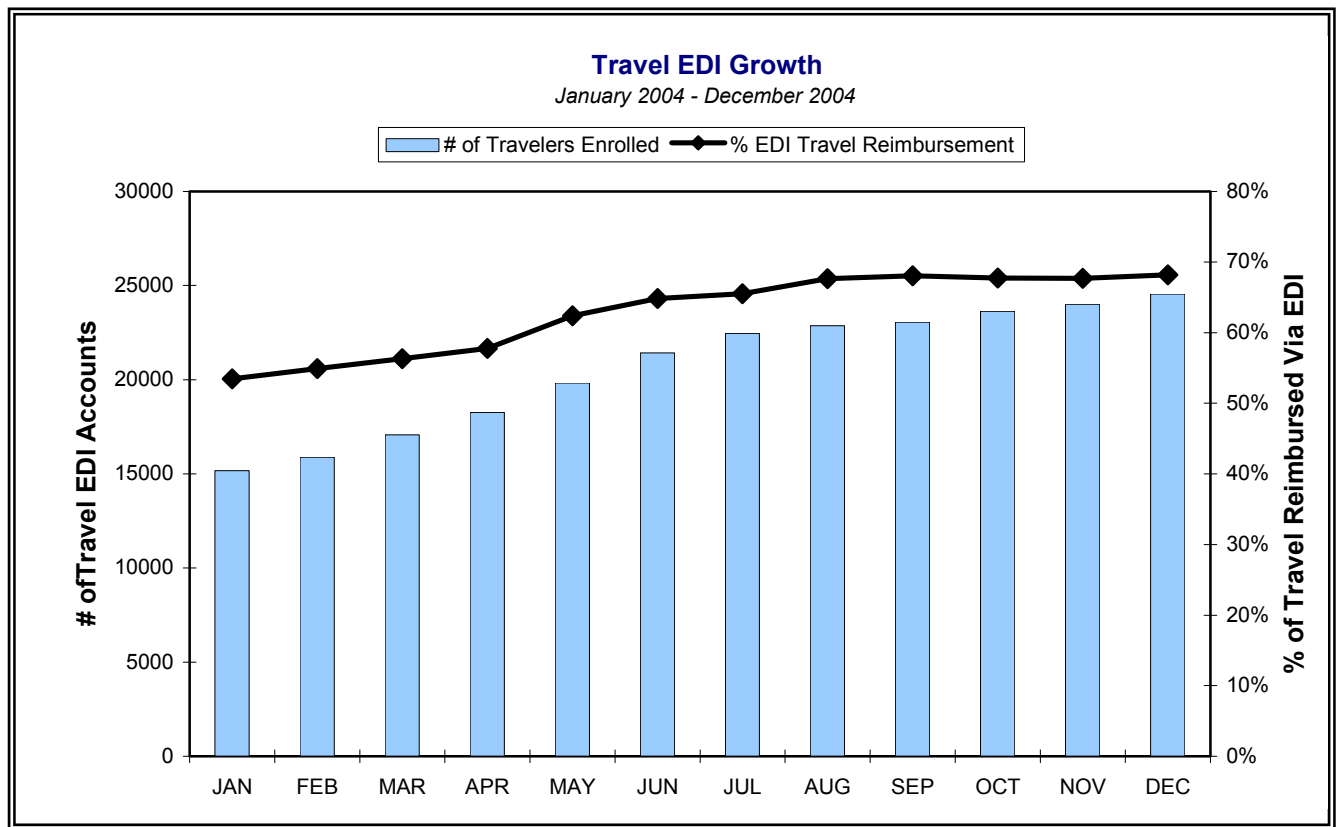


### Travel EDI

Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies of the requirement through a CARS broadcast screen and calls to the agencies that produce the largest number of travel reimbursement checks. Quarterly utilization statistics are provided to the EDI coordinators of each agency in an effort to increase the number of employees enrolled.

Although participation among certain agencies has increased, many agencies have failed to enroll employees in EDI as required by law. In accordance with Section 4-5.04g of the Appropriation Act, the Comptroller began charging agencies \$1 for each travel reimbursement check issued in lieu of Travel EDI beginning with the second quarter of FY 2004. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether.

**Agencies are highly encouraged to sign up board and commission members and other non-employees that receive travel reimbursements on a recurring basis.**



The following table lists by secretarial area the percentage of travel reimbursements that were made via EDI versus the number of checks that were written for travel reimbursements during the quarter. *The statistics are shown for employees and non-employees (e.g. Board and Commission members).* These statistics do not show non-compliance with the Appropriation Act requirements.

**Travel Reimbursement  
Travel EDI Performance  
By Secretarial Area**  
*Quarter Ended December 30, 2004*

<b>Secretarial Area</b>	<b>State Employee Percent</b>	<b>Non-State Employee Percent</b>	<b>Reimbursement Checks Issued</b>
Administration	71.0%	4.8%	144
Commerce and Trade	93.4%	51.6%	382
Education *	74.0%	4.7%	2,822
Elected Officials	89.9%	0.0%	49
Finance	94.0%	0.0%	52
Health and Human Resources	86.2%	33.1%	1,833
Independent Agencies	92.7%	0.0%	147
Judicial	10.9%	2.7%	3,695
Legislative	88.9%	18.8%	220
Natural Resources	93.1%	0.0%	228
Public Safety	76.3%	2.7%	2,126
Technology	72.3%	-	43
Transportation*	73.4%	32.3%	196
<b>Statewide for Quarter</b>	<b>76.1%</b>	<b>14.7%</b>	<b>11,937</b>
<i>Fiscal Year 2005 to Date</i>			
<b>Statewide</b>	<b>76.1%</b>	<b>14.0%</b>	<b>22,115</b>
<i>Comparative Fiscal Year 2004 to Date</i>			
<b>Statewide</b>	<b>44.9%**</b>	<b>-**</b>	<b>35,001</b>

\* Statistics do not include agencies and institutions decentralized for vendor payment processing and the Department of Transportation, which currently processes travel reimbursements through petty cash.

\*\* Employees and Non-employees were not reported separately until the second quarter of 2004. Non-state employees include primarily Board and Commission members.

The following table lists agencies that issued more than 25 travel reimbursement checks during the quarter and had an Employee EDI participation rate below 75 percent. These statistics are informational only and do not necessarily indicate noncompliance with the Appropriation Act. Agency statistics may be adversely affected by employees who travel less than twice per year for whom EDI enrollment may not be cost effective.

**Agency Employee EDI Performance  
Utilization Below 75 Percent**

<b>Agency</b>	<b>Percent</b>	<b>Reimbursement Checks Issued</b>
<b>Administration</b>		
Department of Veterans Services	69.4%	30
Department of General Services	69.2%	48
<b>Education</b>		
Danville Community College	67.8%	47
Northern Virginia Community College	66.5%	82
New River Community College	65.3%	34
Southside Virginia Community College	60.6%	50
Thomas Nelson Community College	59.1%	47
Virginia Western Community College	56.6%	63
Piedmont Virginia Community College	56.5%	40
Tidewater Community College	54.4%	104
Norfolk State University	46.9%	186
J Sargeant Reynolds Community College	7.1%	91
<b>Health and Human Resources</b>		
Department of Social Services	62.9%	350
<b>Judicial</b>		
Supreme Court	2.4%	857
Juvenile and Domestic Relations District Courts	1.2%	321
Circuit Courts	0.5%	549
Combined Courts	0.4%	282
General District Courts	0.0%	299
Magistrate System	0.0%	267
Court of Appeals of Virginia	0.0%	74
<b>Public Safety</b>		
Department of Emergency Management	74.8%	100
Department of Military Affairs	57.4%	29
Red Onion State Prison	45.9%	33
Western Region Correctional Field Units	38.3%	37
Department of Fire Programs	19.9%	257
Greensville Correctional Center	4.1%	47
Augusta Correctional Center	0.0%	38
<b>Technology</b>		
Virginia Information Technologies Agency	71.2%	42
<b>Transportation</b>		
Department of Motor Vehicles	68.4%	156

The following table lists agencies that issued more than 25 travel reimbursement checks during the quarter and had a Non-employee EDI participation rate below 10 percent. The expansion of EDI for Non-employees is a cost savings opportunity for the Commonwealth (Board and Commission members).

**Agency Non Employee EDI Performance  
Utilization Below 10 Percent**

<b>Agency</b>	<b>Percent</b>	<b>Reimbursement Checks Issued</b>
<b>Commerce and Trade</b>		
Virginia Employment Commission	0.0%	28
<b>Education</b>		
Department of Education	.3%	937
Longwood University	0.0%	114
Virginia Military Institute	0.0%	64
Christopher Newport University	0.0%	42
Virginia Commission for the Arts	0.0%	32
Norfolk State University	0.0%	27
<b>Health and Human Resources</b>		
Virginia Board for People with Disabilities	5.3%	71
Department of Mental Health, Mental Retardation And Substance Abuse Services	0.0%	93
Department for the Blind and Vision Impaired	0.0%	26
<b>Legislative</b>		
House of Delegates	0.0%	53
<b>Judicial</b>		
Circuit Courts	6.4%	291
Juvenile and Domestic Relations Courts	2.4%	41
Supreme Courts	2.1%	275
Virginia State Bar	0.0%	297
General District Courts	0.0%	47
<b>Natural Resources</b>		
Marine Resources Commission	0.0%	38
Department of Conservation and Recreation	0.0%	31
<b>Public Safety</b>		
Commonwealth Attorneys' Services Council	5.4%	35
Department of Juvenile Justice	5.4%	53
Department of Emergency Management	1.7%	118
Department of Criminal Justice Services	0.0%	284
Department of Fire Programs	0.0%	37

The following table lists agencies that have accumulated more than \$25 in Employee EDI check charges for the Fiscal Year and have a utilization rate below 80 percent. Agencies are charged \$1 for each travel reimbursement check issued to an employee after their second check of the Fiscal Year. Section 4-5.04.f.5 of the Appropriation Act requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange. Charges do not apply to non-employee travel payments.

**Agency Noncompliance Travel Check Charges  
Utilization Below 80 Percent**

<b>Agency</b>	<b>Percent</b>	<b>Year-to-Date Charges</b>
<b>Education</b>		
Norfolk State University	46.9%	\$ 65
J Sargeant Reynolds Community College	7.1%	28
Patrick Henry Community College	75.0%	26
<b>Health and Human Resources</b>		
Department of Social Services	62.9%	83
Department of Rehabilitative Services	79.7%	71
<b>Legislative</b>		
House of Delegates	78.3%	46
<b>Judicial</b>		
Circuit Courts	.5%	837
Juvenile and Domestic Relations Courts	1.2%	311
General District Courts	0.0%	307
Magistrate System	0.0%	280
Combined Courts	.4%	264
Supreme Courts	2.4%	160
Court of Appeals of Virginia	0.0%	46
<b>Public Safety</b>		
Department of Fire Programs	19.9%	155
Department of Emergency Management	74.8%	44
<b>Transportation</b>		
Department of Motor Vehicles	68.4%	31

### *Direct Deposit*

During the second quarter of FY 2005, 411,913 checks were avoided using direct deposit. Agencies are expected to

take proactive steps to improve participation rates, particularly for wage employees.

### **Direct Deposit Performance by Secretarial Area**

*Quarter Ended December 31, 2004*

<b>Secretarial Area</b>	<b>Direct Deposit % of Salary Employees</b>	<b>Direct Deposit % of Wage Employees</b>
Administration	91.3%	83.5%
Commerce and Trade	95.1%	78.5%
Education	96.1%	51.6%
Elected Officials	97.7%	30.3%
Finance	92.2%	67.0%
Health and Human Resources	85.2%	69.9%
Independent Agencies	95.4%	80.0%
Judicial	94.6%	42.4%
Legislative	93.9%	63.1%
Natural Resources	96.0%	59.2%
Public Safety	86.7%	72.4%
Technology	96.0%	84.9%
Transportation	82.7%	72.1%
<b>Statewide</b>	<b>88.7%</b>	<b>58.6%*</b>

### *Comparative*

*Quarter Ended December 31, 2003*

<b>Statewide</b>	<b>87.0%</b>	<b>49.2%</b>
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\* - Wage percentage increased due to fewer wage employees being paid in December 2004 than September 2004.



## Statewide Salaried Direct Deposit Performance

Quarter Ended December 31, 2004

**Salaried Direct Deposit Participation**

**88.7%**

### Salaried Direct Deposit Below 80 Percent

<b>Agency</b>	<b>Percent</b>	<b>Number of Employees</b>
<b><i>Health and Human Resources</i></b>		
Southern Virginia Mental Health Institute	79.5%	171
Virginia Center for Behavioral Rehabilitation	78.8%	71
Central State Hospital	73.3%	694
Southside Virginia Training Center	72.1%	1,392
Piedmont Geriatric Hospital	67.4%	304
Central Virginia Training Center	63.0%	1,506
<b><i>Public Safety</i></b>		
Lunenburg Correctional Center	79.7%	262
Greensville Correctional Center	79.6%	841
Augusta Correctional Center	78.7%	404
Mecklenburg Correctional Center	77.2%	392
Eastern Regional Correctional Field Units	76.8%	134
Bland Correctional Center	75.7%	301
Dillwyn Correctional Center	71.8%	266
Brunswick Correctional Center	71.6%	370
Buckingham Correctional Center	69.0%	346
Nottoway Correctional Center	66.7%	466
<b><i>Transportation</i></b>		
Department of Transportation - Richmond District	79.9%	1,112
Department of Transportation - Staunton District	79.0%	763
Department of Transportation - Lynchburg District	74.4%	729
Department of Transportation - Bristol District	72.9%	983
Department of Transportation - Salem District	72.6%	918
Department of Transportation - Culpeper District	70.9%	592

## Statewide Wage Direct Deposit Performance

Quarter Ended December 31, 2004

**Wage Direct Deposit Participation**

**58.6%**

### Wage Direct Deposit Below 40 Percent

<b>Agency</b>	<b>Percent</b>	<b>Number of Employees</b>
<b>Commerce and Trade</b>		
Department of Forestry	32.2%	96
Virginia Racing Commission	7.4%	27
<b>Education</b>		
Eastern Shore Community College	39.1%	46
Virginia Community College System	37.5%	16
Paul D. Camp Community College	35.6%	101
Central Virginia Community College	32.3%	105
Gunston Hall Plantation	31.8%	22
Piedmont Virginia Community College	30.3%	267
Southwest Virginia Community College	27.3%	362
Thomas Nelson Community College	23.8%	273
John Tyler Community College	21.4%	396
Virginia Western Community College	21.1%	175
Danville Community College	19.2%	156
Wytheville Community College	18.6%	198
Radford University	18.2%	395
Mountain Empire Community College	17.2%	301
Richard Bland College	17.0%	41
Southside Virginia Community College	13.6%	146
Rappahannock Community College	12.7%	110
Virginia Highlands Community College	8.9%	167
Longwood University	8.1%	624
<b>Health and Human Resources</b>		
Central Virginia Training Center	0.0%	110
<b>Judicial</b>		
General District Courts	36.5%	216
<b>Public Safety</b>		
Department of Fire Programs	26.2%	122
Deerfield Correctional Center	16.6%	12
Buckingham Correctional Center	10.0%	10

#### **Various**

Selected Agency Support

23.4%

64

12/31/04 *Quarterly Report*

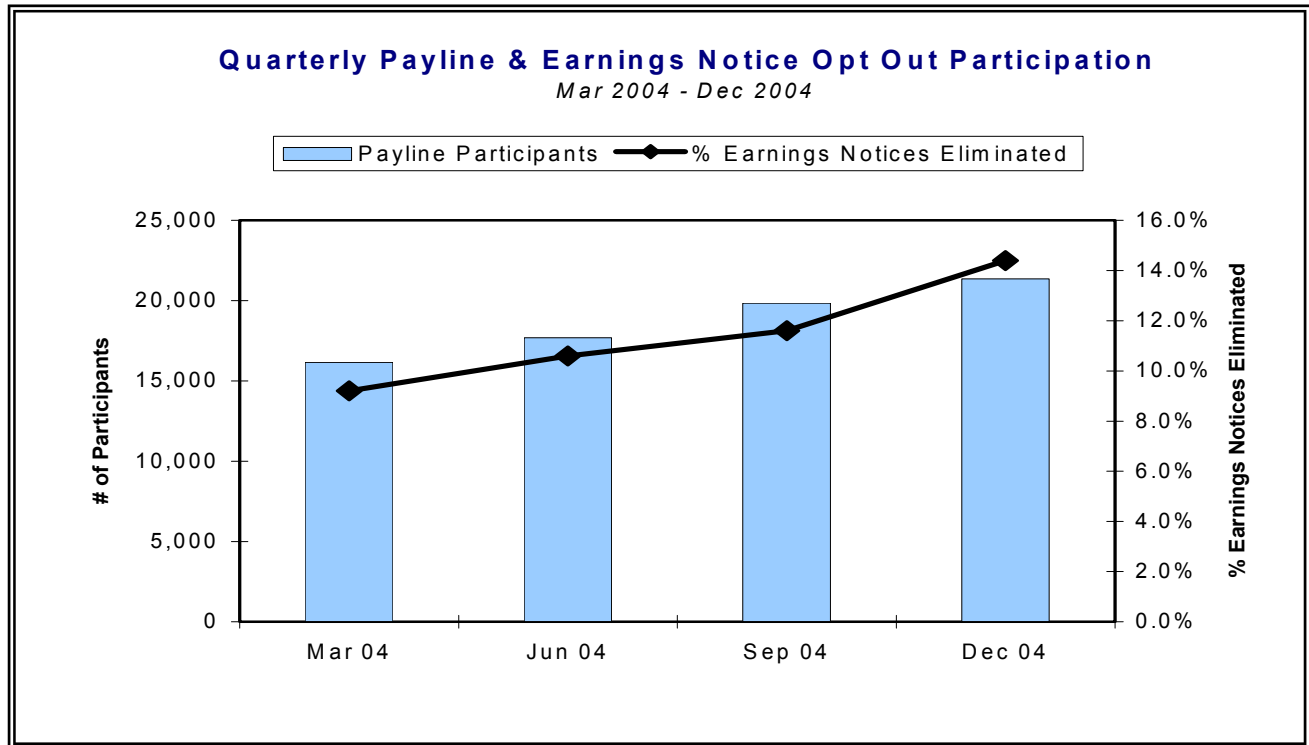
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Department of Accounts

### *Payroll Earnings Notices*

Elimination of earnings notices associated with direct deposit is an additional method for increasing the benefits of electronic payments. Employees are currently able to obtain enhanced information online using the web-based Payline system.

In addition to increasing direct deposit participation, agencies and institutions are expected to encourage employees to enroll in Payline and discontinue receipt of centrally printed earnings notices. Since inception in November 2002, the Commonwealth has eliminated the printing of approximately 327,445 earnings notices. However, statewide participation rates remain low.



The following table lists participation among all statewide employees in Payline and the Opt-Out initiative by secretarial area.

**Payline and Earnings Notice Opt-Out Participation  
by Secretarial Area**

*Quarter Ended December 31, 2004*

<b>Secretarial Area</b>	<b>Percent Payline Participation</b>	<b>Percent Earnings Notices Eliminated*</b>
Administration	48.9%	29.7%
Commerce and Trade	54.8%	38.8%
Education	23.8%	20.1%
Elected Officials	50.0%	33.1%
Finance	63.2%	33.1%
Health and Human Resources	24.6%	10.8%
Independent Agencies	37.7%	26.0%
Judicial	4.0%	1.4%
Legislative	34.4%	30.1%
Natural Resources	45.4%	34.4%
Public Safety	17.8%	6.7%
Technology	79.5%	49.8%
Transportation	25.2%	8.0%
<b>Statewide</b>	<b>25.7%</b>	<b>14.4%</b>
<i>Comparative Quarter Ended December 31, 2003</i>		
<b>Statewide</b>	<b>17.0%</b>	<b>8.5%</b>

\* Employees must participate in Direct Deposit and Payline in order to opt out of receiving centrally printed earnings notices.

Statistics do not include employees of eight institutions of higher education that are decentralized for payroll processing.

Listed below are agencies where less than four percent of earnings notices have been eliminated by employees on direct deposit. Only agencies and institutions with more than 25 employees are included in this report.

<b>Agency</b>	<b>Percent Earnings Notices Eliminated</b>	<b>Earnings Notices Printed for 12/31/04 Payday</b>
<b><i>Education</i></b>		
Danville Community College	2.9%	145
John Tyler Community College	2.5%	248
Radford University	2.4%	1,057
Piedmont Virginia Community College	2.0%	193
Southside Virginia Community College	2.0%	180
Longwood University	1.9%	520
Central Virginia Community College	1.8%	165
Virginia Highlands Community College	1.5%	127
Thomas Nelson Community College	1.5%	347
Christopher Newport University	1.3%	1,180
Northern Virginia Community College	1.3%	1,452
Virginia School for Deaf, Blind and Multi-Disabled – Hampton	1.1%	126
Rappahannock Community College	1.0%	101
<b><i>Health and Human Resources</i></b>		
Northern Virginia Training Center	2.8%	476
Central State Hospital	2.8%	551
Piedmont Geriatric Hospital	2.7%	234
Virginia Rehabilitation Center for the Blind and Vision Impaired	2.5%	36
Southside Virginia Training Center	2.1%	987
Central Virginia Training Center	1.8%	902
Hiram W. Davis Medical Center	1.4%	162
<b><i>Judicial</i></b>		
Public Defender Commission	2.0%	366
Virginia State Bar	1.1%	85
Combined District Courts	0.9%	183
Juvenile and Domestic Relations District Courts	0.8%	568
Magistrate System	0.7%	383
General District Courts	0.3%	925
Circuit Courts	0.0%	173
Court of Appeals of Virginia	0.0%	64
<b><i>Legislative</i></b>		
Division of Legislative Services	3.2%	91
Division of Capital Police	1.0%	86

<b>Agency</b>	<b>Percent Earnings Notices Eliminated</b>	<b>Earnings Notices Printed for 12/31/04 Payday</b>
<b>Public Safety</b>		
Department of Juvenile Justice	3.6%	1,935
Department of Fire Programs	3.5%	43
Department of State Police	3.5%	2,372
Buckingham Correctional Center	3.4%	225
Eastern Region Correctional Field Units	3.0%	99
Dillwyn Correctional Center	2.5%	184
Keen Mountain Correctional Center	2.4%	261
Deep Meadow Correctional Center	2.3%	265
Fluvanna Women's Correctional Center	2.0%	287
Southampton Correctional Center	2.0%	203
Haynesville Correctional Center	1.9%	312
Division of Community Corrections	1.8%	1,195
Virginia Correctional Enterprises	1.8%	138
James River Correctional Center	1.5%	231
Red Onion State Prison	1.5%	369
Wallens Ridge State Prison	1.5%	359
Virginia Correctional Center for Women	1.4%	174
Bland Correctional Center	1.3%	228
Greensville Correctional Center	1.0%	640
Lunenburg Correctional Center	0.7%	210
Western Region Correctional Field Units	0.6%	419
Brunswick Correctional Center	0.5%	261
Powhatan Correctional Center	0.3%	269
Nottoway Correctional Center	0.2%	311
Powhatan Reception and Classification Center	0.0%	89
Southampton Reception and Classification Center	0.0%	69
Deerfield Correctional Center	0.0%	166
<b>Transportation</b>		
Department of Transportation – Richmond	3.5%	848
Department of Transportation – Northern Virginia	2.9%	836
Department of Transportation – Hourly	1.0%	202



### *Small Purchase Charge Card (SPCC) and Increased Limit (Gold) Card*

Two purchasing charge card programs offer State agencies and institutions alternative payment methods that improve administrative efficiency by consolidating invoice and payment processing for purchases of less than \$50,000. Use of the purchasing charge cards decreases the number of checks issued and the associated administrative costs of processing invoices. Suppliers benefit from expedited receipt of payments and reduced billing costs.

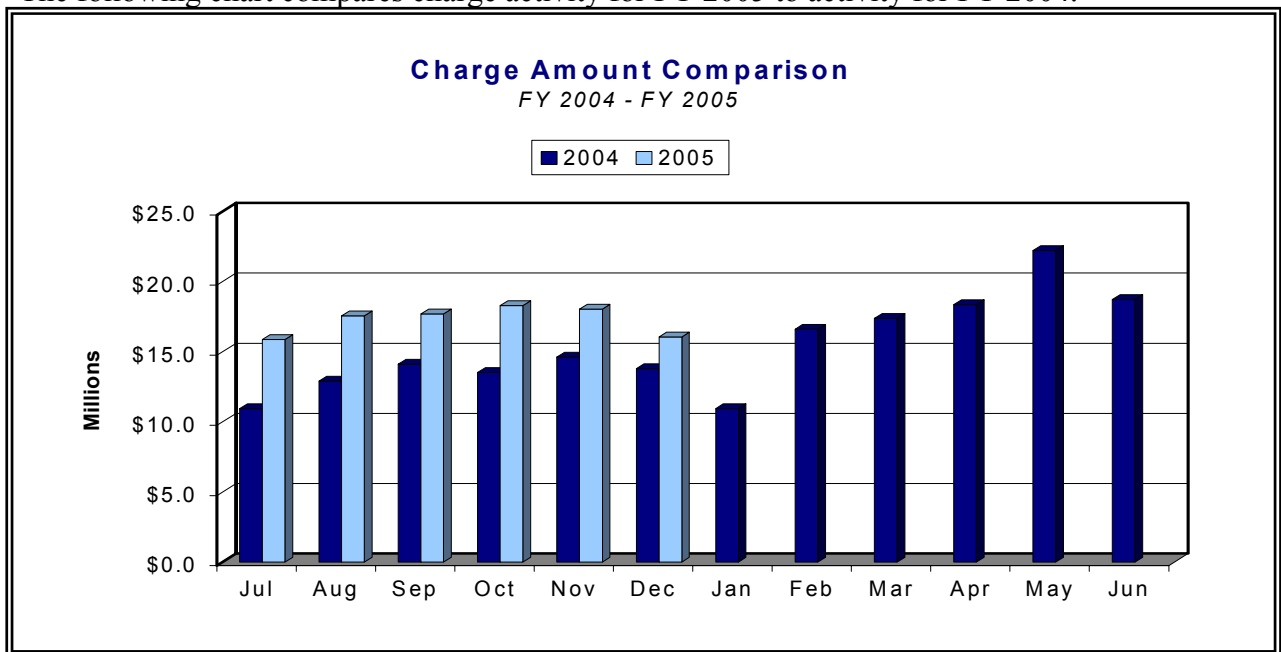
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use by a procurement professional for purchases in the \$5,000 to \$50,000 range.

The total amount charged on SPCC and Gold cards during the second quarter of FY 2005 increased by \$10.4 million or 19.9 percent from the same quarter last year.

### **Small Purchase Charge Card Program**

<b>Charge Card Activity</b>	<b>Quarter Ended Dec 31, 2004</b>	<b>Fiscal Year 2005 To Date</b>	<b>Comparative Fiscal Year 2004 To Date</b>
Amount of Charges	\$ 52,353,111	\$ 103,440,006	\$ 79,876,485
Estimated Number of Checks Avoided	126,521	252,705	221,142
Total Number of Participating Agencies		195	192
Total Number of Cards Outstanding		9,946	10,923

The following chart compares charge activity for FY 2005 to activity for FY 2004.



### *SPCC Utilization Compliance*

Maximum use of the SPCC program, in conjunction with other e-commerce initiatives, is essential to the statewide effort to reduce the costs associated with paying for goods and services for the Commonwealth. The tables on the following pages list SPCC participation by secretarial area and identify those agencies that are not maximizing charge card use and the associated cost savings. Agencies who have a Gold card and are not utilizing the Gold card to the fullest extent will also be identified in future issues of this *Quarterly Report*.

During first quarter, the Department of Accounts, the Department of General Services, and American Express initiated a detailed review of the supplier information available through CARS, eVA, and American Express. This review identified additional suppliers who accept the small purchase charge card but who were not previously identified in the SPCC utilization reporting process. Additionally, American Express renewed targeted efforts to enroll Commonwealth suppliers (particularly eVA suppliers), which has resulted in the enrollment of many new vendors in American Express. Their enrollment efforts will continue. DOA routinely updates the listing of American Express vendors on Department of Accounts SPCC web page and agencies should proactively monitor such updates.

As a result of this reporting change and enrollment effort, statewide and agency utilization rates are lower, but more accurate, than previously reported. Accordingly, the reporting threshold was lowered in first quarter and again for this quarter from 70% to 65%. For purposes of computing the \$1 underutilization charge imposed in accordance with § 5.04g. of the Appropriation Act, implementation of the utilization reporting changes described above will also be based on a 65% utilization threshold. Each agency will receive a report identifying payments to participating suppliers with instructions to take additional proactive steps to ensure the small purchase charge card is used when conducting business with all participating vendors. This reporting and \$1 charge threshold will return to the 70% level effective for the reporting quarter beginning January 1, 2005, comparative data will be provided.

### **Statewide SPCC Performance**

*Quarter Ended December 31, 2004*

**Percentage Utilization for Eligible Transactions**

**77%**





## SPCC Utilization by Secretarial Area

*Quarter Ended December 31, 2004*

<b>Secretarial Area</b>	<b>Payments in Compliance<sup>(1)</sup></b>	<b>Non-Compliant Transactions<sup>(2)</sup></b>
Administration	78%	973
Commerce and Trade	72%	1,857
Education*	83%	6,212
Elected Officials	96%	39
Finance	79%	220
Health and Human Resources	65%	10,689
Independent Agencies	69%	952
Judicial	41%	2,217
Legislative	92%	106
Natural Resources	91%	856
Public Safety	79%	5,975
Technology	17%	1,266
Transportation*	84%	5,933
<b>Statewide</b>	<b>77%</b>	<b>37,295</b>

\* Statistics do not include agencies and institutions decentralized for vendor payment processing.

(1) **“Payments in Compliance”** represents the percentage of purchases made from participating SPCC vendors using the purchasing card.

(2) **“Non-Compliant Transactions”** represents the number of small purchases from participating SPCC vendors where the purchasing card was not used for payment.



**Agency SPCC Performance  
Utilization Below 65 Percent**

<b>Agency</b>	<b>Payments in Compliance</b>	<b>Non-Compliant Transactions</b>
<b>Administration</b>		
Charitable Gaming Commission	0%	16
<b>Commerce and Trade</b>		
Board of Accountancy	63%	19
Virginia Employment Commission	36%	830
Department of Labor and Industry	2%	161
<b>Education</b>		
Norfolk State University	64%	768
Virginia Commission for the Arts	64%	14
Virginia School for the Deaf & the Blind at Staunton	53%	111
New River Community College	47%	297
Virginia State University – Cooperative Extension and Agricultural Research Services	13%	1,091
<b>Health and Human Resources</b>		
Department for the Blind & Vision Impaired	62%	533
Commonwealth Center for Children and Adolescents	49%	53
Hiram W Davis Medical Center	41%	118
Northern Virginia Mental Health Institute	41%	214
Department for the Deaf & Hard-of-Hearing	11%	131
Virginia Center for Behavioral Rehabilitation	0%	13
<b>Independent Agencies</b>		
Virginia Office for Protection and Advocacy	50%	62
State Lottery Department	48%	241
State Corporation Commission	1%	486
<b>Judicial</b>		
Virginia Indigent Defense Commission	59%	181
Board of Bar Examiners	0%	18
Circuit Courts	0%	374
Combined District Courts	0%	226
General District Courts	0%	612
Judicial Inquiry and Review Commission	0%	9
Juvenile and Domestic Relations District Court	0%	528
Magistrate System	0%	51
Virginia Criminal Sentencing Commission	0%	6
<b>Legislative</b>		
Virginia Commission on Intergovernmental Cooperation	40%	6
Commission on Virginia Alcohol Safety Action Program	0%	48

<b><u>Agency</u></b>	<b><u>Payments in Compliance</u></b>	<b><u>Non-Compliant Transactions</u></b>
<b>Natural Resources</b>		
Virginia Museum of Natural History	63%	38
<b>Public Safety</b>		
Department of Fire Programs	61%	162
Southampton Reception & Classification Center	44%	48
Virginia Correctional Enterprises	31%	1,283
Department of Corrections – Central Activities	0%	40
Marion Treatment Center	0%	90
Virginia Parole Board	0%	7
<b>Technology</b>		
Virginia Information Technologies Agency	17%	1,266

### *SPCC Payment Compliance*

Agencies and institutions participating in the SPCC program are required to submit payments via EDI to the SPCC vendor by the 14<sup>th</sup> of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth's

contractual relationship with the purchasing card vendor and may result in suspension of an agency's charge card program. The following chart lists agencies more than three days late in submitting their payments.

<b>Agency Name</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>Health and Human Resources</b>			
Piedmont Geriatric Hospital	X		



## *Travel Charge Card*

The Commonwealth of Virginia has contracted with American Express (AMEX) to provide employees with a means of charging reimbursable travel and related expenses while conducting official state business. Unlike the SPCC program, in which the agency directly receives and pays a summarized bill for all cardholders, each cardholder is personally responsible for all charges placed on the travel card and for paying the bill on time.

A Special Report released by the Auditor of Public Accounts in November 2003 presented several recommendations for improving the program, including closer monitoring of charge and payment activity.

One of the major concerns is the timely payment of card statements. Delinquent accounts result in higher costs to the contractor and ultimately threaten the

viability of the Commonwealth's travel charge card program. The contract provides for the following actions on delinquent accounts:

- 30 days past due – noted on statement
- 60 days past due – on statement and separate notice plus 2.75% delinquency charge
- 90 days past due – additional 2.25% delinquency charge assessed
- > 90 days past due - privileges may be suspended and further action may be taken to cancel the account.

A joint memo from the State Comptroller and the Director of DGS Division of Purchases and Supply, dated March 7, 2003, advised agencies of the existence of delinquent accounts and stressed the importance of improved oversight. The following table identifies the number of delinquent active card accounts by agency during the quarter ended December 31, 2004, and the total amounts past due.

### **Travel Charge Card Program**

*As of December 31, 2004*

<b>Agency</b>	<b>Total Delinquent Active Accounts</b>	<b>Amounts 60 Days Past Due</b>	<b>Amounts 90-120 Days Past Due</b>	<b>Amounts &gt;150 Days Past Due</b>
<b>Administration</b>				
Department of General Services	1	\$ 403	\$ -	\$ -
<b>Commerce and Trade</b>				
Department of Agriculture and Consumer Services	1	49	-	-
Department of Housing and Community Development	1	177	-	-
Department of Labor and Industry	1	537	-	-
Virginia Tourism Authority	2	1056	-	-
<b>Education</b>				
Blue Ridge Community College	1	83	-	-
College of William and Mary	7	3,199	1,417	268
George Mason University	3	1,800	-	-
<b>12/31/04 Quarterly Report</b>	<b>36</b>			
<b>Department of Accounts</b>				

<b>Agency</b>	<b>Total Delinquent Active Accounts</b>	<b>Amounts 60 Days Past Due</b>	<b>Amounts 90-120 Days Past Due</b>	<b>Amounts &gt;150 Days Past Due</b>
J. Sargeant Reynolds Community College	3	\$ 355	\$ 1	\$ -
James Madison University	8	2,212	-	19
Jamestown-Yorktown Foundation	1	222	-	-
Longwood University	2	218	-	-
Lord Fairfax Community College	1	133	-	-
Norfolk State University	13	2,428	2,642	1,447
Old Dominion University	2	886	-	-
Radford University	1	1,729	-	-
University of Virginia	23	11,930	3,442	2,802
University of Virginia Medical Center	3	35	-	1
Virginia Commonwealth University	2	256	1	-
Virginia Military Institute	3	314	461	-
Virginia Polytechnic Institute and State University	9	7,439	1,292	7
Virginia State University	1	-	799	-
<b>Elected Officials</b>				
Attorney General	2	1,095	-	-
<b>Finance</b>				
Department of Taxation	1	505	-	-
<b>Health and Human Resources</b>				
Catawba Hospital	1	276	-	-
Department of Medical Assistance Services	2	3	399	-
Department of Rehabilitative Services	1	314	-	-
Department of Social Services	6	892	54	240
Woodrow Wilson Rehabilitation Center	1	301	-	-
<b>Natural Resources</b>				
Department of Environmental Quality	2	84	-	1
Department of Game and Inland Fisheries	1	236	-	-
Virginia Museum of Natural History	1	1,067	350	-
<b>Public Safety</b>				
Department of Corrections	3	990	-	-
Department of Correctional Education	1	329	-	-
Department of Emergency Management	3	1,422	-	-
Department of Fire Programs	1	27	-	-
Department of Juvenile Justice	1	1	-	-
<b>Transportation</b>				
Department of Motor Vehicles	2	1,143	-	-
Virginia Department of Transportation	3	687	-	-

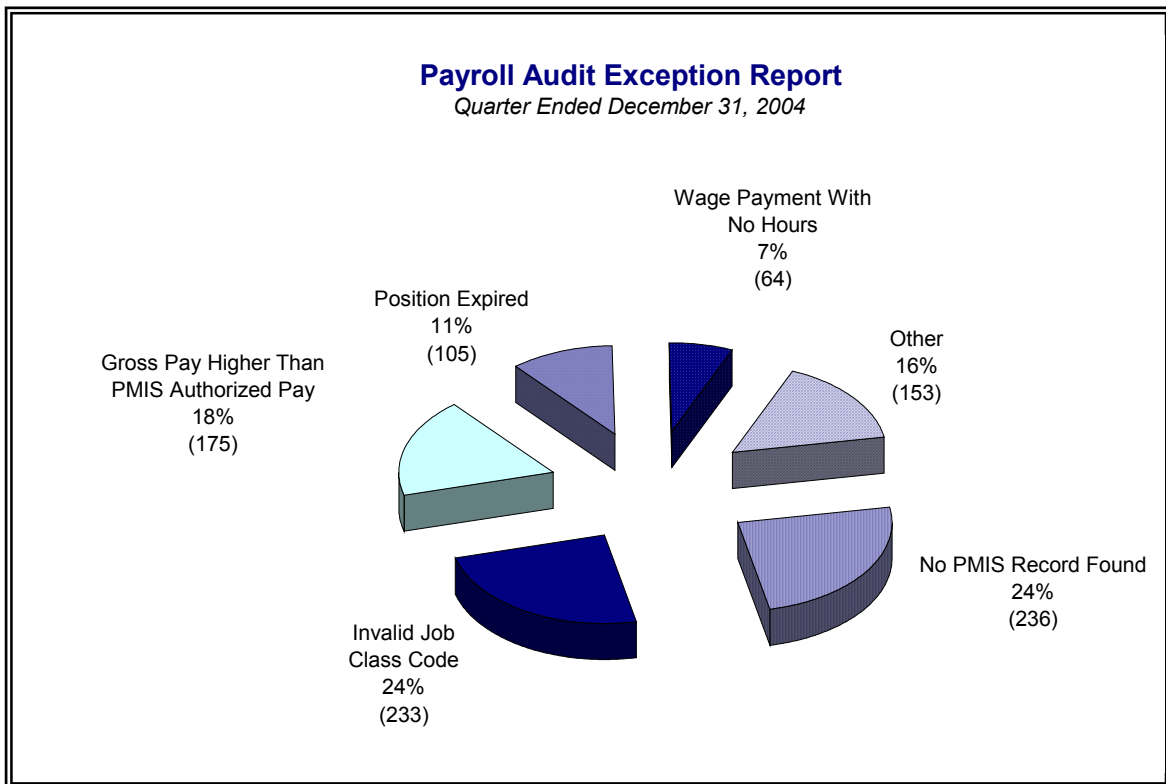
## Payroll Controls

### *PMIS/CIPPS Payroll Audit*

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 419,950 salaried pay transactions and 253,672 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 2,462 new exceptions noted statewide during the quarter, with an overall exception rate of 0.44 percent.

The statewide salaried payroll exception rate was 0.60 percent and the wage payroll exception rate was 0.18 percent. During this quarter, 38 employee paychecks were reduced to recover \$18,666.34 in overpayments.

While the largest cause of exceptions is related to timing differences of payroll and PMIS processing due to transfers, the second largest cause of exceptions remains agency failure to complete the salary increase authorization process by updating PMIS salary amounts *prior* to paying the increased salary amount in CIPPS. The PMIS authorization is an important internal control over payroll processing. Such exceptions can largely be avoided through timely PMIS data entry by agency Human Resource staff. Although segregation of these Human Resource and Payroll functions is an effective internal control, coordination and communication between agency Human Resource and Payroll staffs is essential.



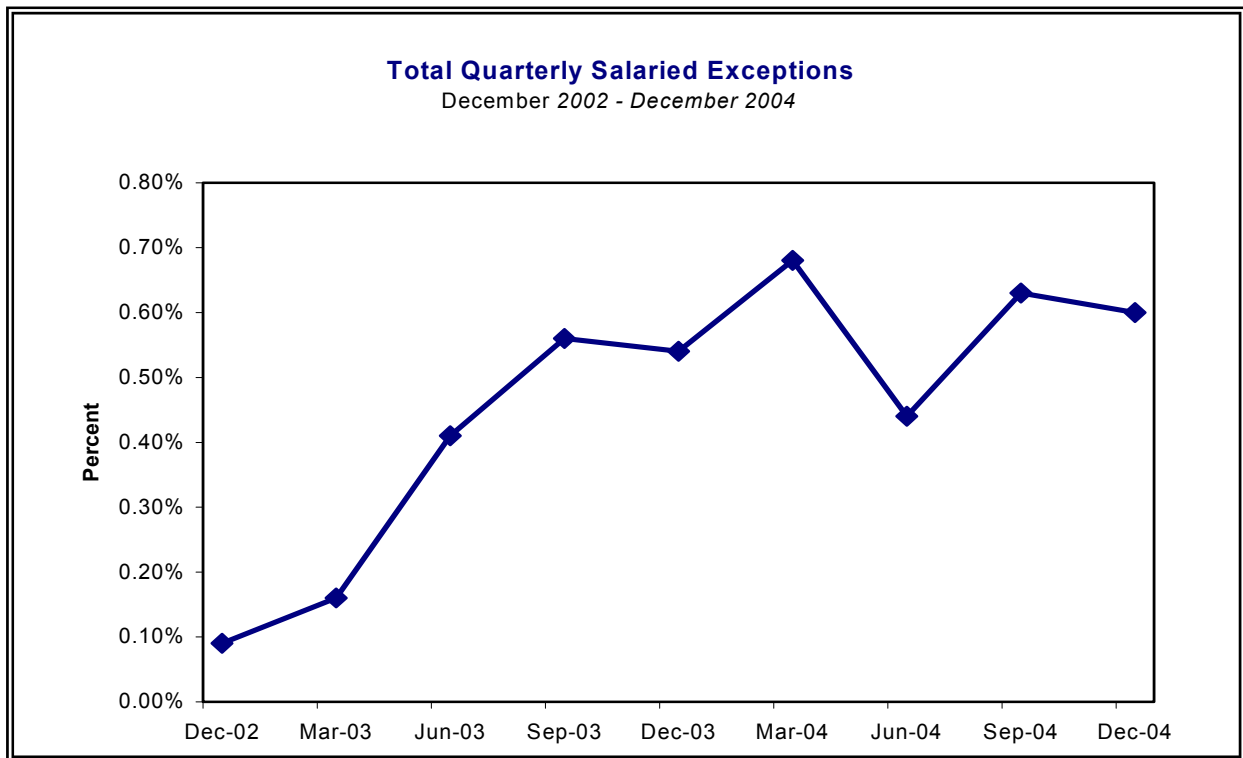
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. For the quarter ending June 30, 2003, the number of reported salaried exceptions increased due to refinements in audit procedures, not significant changes in agency performance. The refinements are designed to improve accuracy in payroll and benefit calculations by increasing agency awareness of the importance of timely personnel system updates and proper payroll payment classification. Agencies are reported below if the percentage of payroll exceptions to salaried or wage payments exceeds twice the statewide average for the quarter.

### Payroll Exception Audit Agency Payroll Exceptions as a Percent of Salaried Payments

*Quarter Ended December 31, 2004*

Agency	Exceptions as a % of Salaried Payments
Rappahannock Community College	2.45%
Wytheville Community College	2.03%
<b>Total Salaried Payroll Exceptions for the Quarter</b>	<b>0.60%</b>

The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.



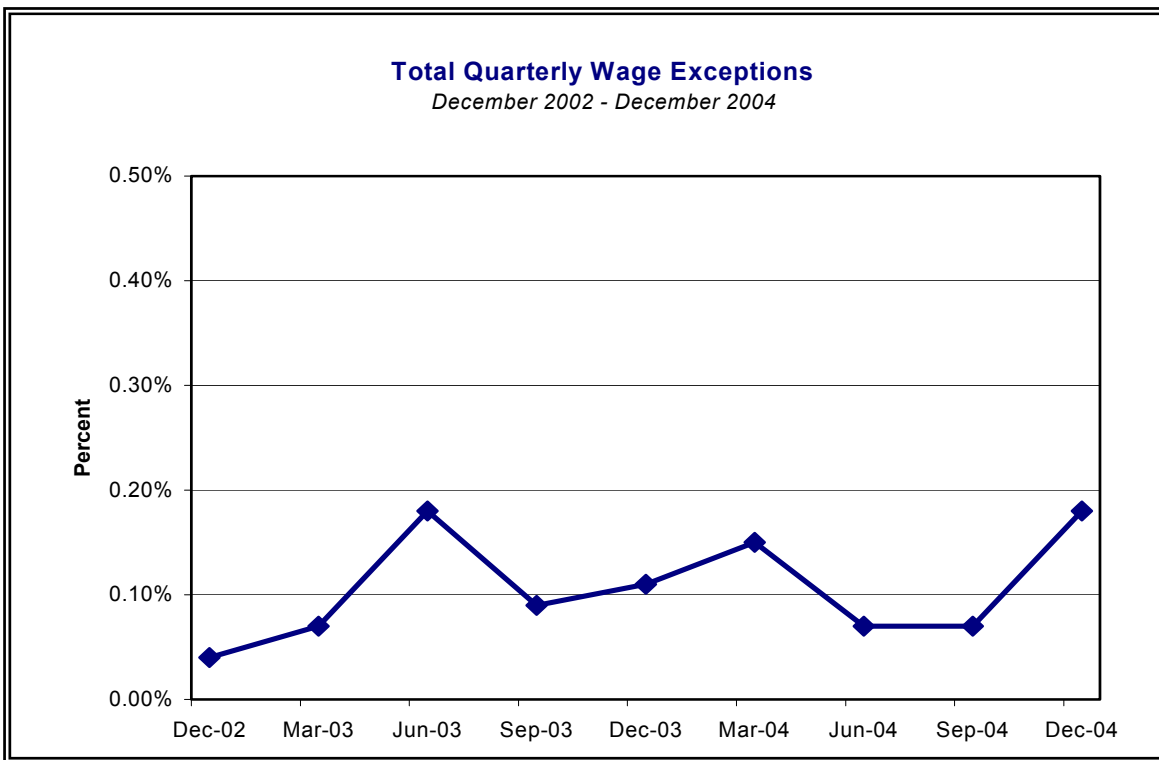
Note: Third quarter FY 2004 increase caused by increase in retroactive adjustments due to IPP increases not appearing in PMIS at the time of the automatic regrade.



**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Wage Payments**  
*Quarter Ended December 31, 2004*

Agency	Exceptions as a % of Wage Payments
Virginia Employment Commission	0.74%
J. Sargeant Reynolds Community College	0.66%
Jamestown-Yorktown Foundation	0.65%
Department of Social Services	4.73%
<b>Wage Payroll Exceptions for the Quarter</b>	
	<b>0.18%</b>

The following chart compares payroll exceptions as a percentage of wage payments by quarter for the past two years.



Note: Second quarter FY 2005 increase results from change in class codes in PMIS, but not in CIPPS



*PMIS/CIPPS Exceptions*

Agencies are required to submit explanations and/or reconciliations for the differences identified on the CIPPS/PMIS Unresolved Exceptions Report, within 6 weeks of notification. The following table lists those agencies having exceptions that remain unresolved six weeks after receipt of the report.

<b><u>Agency</u></b>	<b><u>Unresolved Exceptions</u></b>
<b><i>Education</i></b>	
Christopher Newport University	41
Norfolk State University	14
Virginia State University	15
J. Sargeant Reynolds Community College	10
Northern Virginia Community College	7
<b><i>Public Safety</i></b>	
Department of Military Affairs	10
Coffeewood Correctional Center	9
Department of Juvenile Justice	4
Red Onion Correctional Center	1
<b><i>Transportation</i></b>	
Department of Motor Vehicles	1
<b><i>Health and Human Resources</i></b>	
Central Virginia Training Center	3
<b><i>Independent</i></b>	
Virginia Workers' Compensation Commission	2



### *Payroll Certification*

Agencies are required to calculate, verify, and authorize the amount to be disbursed for each payroll. This responsibility can be met through the timely preparation of agency payrolls, request and review of automated edit reports, and correction of errors prior to requesting actual payroll runs which result in payroll disbursements. This process is referred to as "payroll certification." Payroll certification serves as a critical internal control to ensure payroll disbursements are accurate and authorized. Agency payroll certifications are monitored centrally to ensure that agencies conduct this important function.

Differences between the amount calculated by the payroll system based on agency input and the amount certified by the agency to be disbursed based on edit reports are identified in automated reports provided to agencies. Agencies are required to submit explanations and/or reconciliations of the differences identified on this report by the end of the day following receipt of the report. Differences result from agency payroll errors, miscalculations, online certification data entry errors, and inappropriately high volumes of changes following certification. Although differences do not result in undetected

incorrect payments, such errors are avoidable and are not consistent with sound internal control over payroll.

Since timely certification is also essential, authorized and trained staff, as well as telecommunications access and computer terminals, must be available at all times. Reliable back-up plans are necessary should any of these resources be unavailable on a critical payroll processing date due to emergency or other circumstances.

Agencies are required to enter applicable payroll certification requests into the payroll system by 3:30 p.m. daily to ensure sufficient time is available for central review by DOA staff to validate certification entries, a critical compensating control. Late entries, either initial or correcting, make certification review more difficult or impossible. When a data entry error is detected during the review process, DOA must make corrections to avoid inaccurate payroll disbursements and/or voluminous and costly corrective action.

The table on the following page lists agencies and institutions that have failed to comply with one or more of the requirements for accurate and timely payroll certification.

## Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
<b>Administration</b>				
Department of Veterans Services	\$	1		
<b>Commerce and Trade</b>				
Board of Accountancy		1		
<b>Education</b>				
Virginia State University	268,840			
Frontier Culture Museum of Virginia	1,067,108	1		
Rappahannock Community College	1,000,000			
Tidewater Community College	3,663,396			
Norfolk State University			3	
Longwood University			2	
Virginia Museum of Fine Arts			2	
Christopher Newport University			2	
Northern Virginia Community College			2	
Southwest Virginia Community College		2		
Jamestown 2007		1		
Jamestown Yorktown Foundation		1		
<b>Finance</b>				
Department of Taxation		1		
<b>Health and Human Resources</b>				
Southern Virginia Mental Health Institute	31,420			
Department of Health			2	
Southwestern Virginia Mental Health Institute		1		
<b>Public Safety</b>				
Department of State Police	318,372			
Marion Correctional Treatment Center	100,979			
Department of Juvenile Justice			2	

Columns show the following:

- (a) Variance in dollars for agencies whose certified amounts varied from actual computed amounts by more than \$20,000 for any payrolls processed during the quarter.
- (b) The number of times DOA had to perform the certification function for the agency due to inadequate agency back-up.
- (c) The number of certifications that were submitted or altered later than the daily deadline.
- (d) The number of times DOA made corrections to agency certifications during the quarter.

### *Healthcare Reconciliations*

Employee healthcare fringe benefits costs are covered by a combination of agency paid and employee-paid premiums. Agencies are required to return a *Certification of Automated Health Care Reconciliations* form to DOA by the close of the month following the month of coverage. This reconciliation annotates differences between healthcare eligibility records (BES) and healthcare premium payments collected through

payroll deduction. The following table lists those agencies that were late in submitting their certification or had problems requiring additional adjustments. Such problems may include incomplete or incorrect documents or required IAT's not submitted to DOA. Healthcare reconciliations for the months of September, October, and November were due 10/29/04, 11/30/04 and 12/30/04, respectively.

#### **Schedule of Late Health Care Reconciliations**

	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>
Virginia Workers' Compensation Commission		X	
Woodrow Wilson Rehabilitation Center	X		
Virginia State University	X		
VSU/Cooperative Extension and Agricultural Research Services	X		
Frontier Culture Museum of Virginia	X	X	X
Christopher Newport University	X		
Piedmont Virginia Community College	X		X
J Sargeant Reynolds Community College		X	X
Thomas Nelson Community College	X	X	
Tidewater Community College	X	X	
Bland Correctional Center	X	X	X
Dept. of Mental Health, Mental Retardation & Substance Abuse Services		X	
Coffeewood Correctional Center	X		
Department of Veterans Services		X	



## FINANCIAL MANAGEMENT ACTIVITY

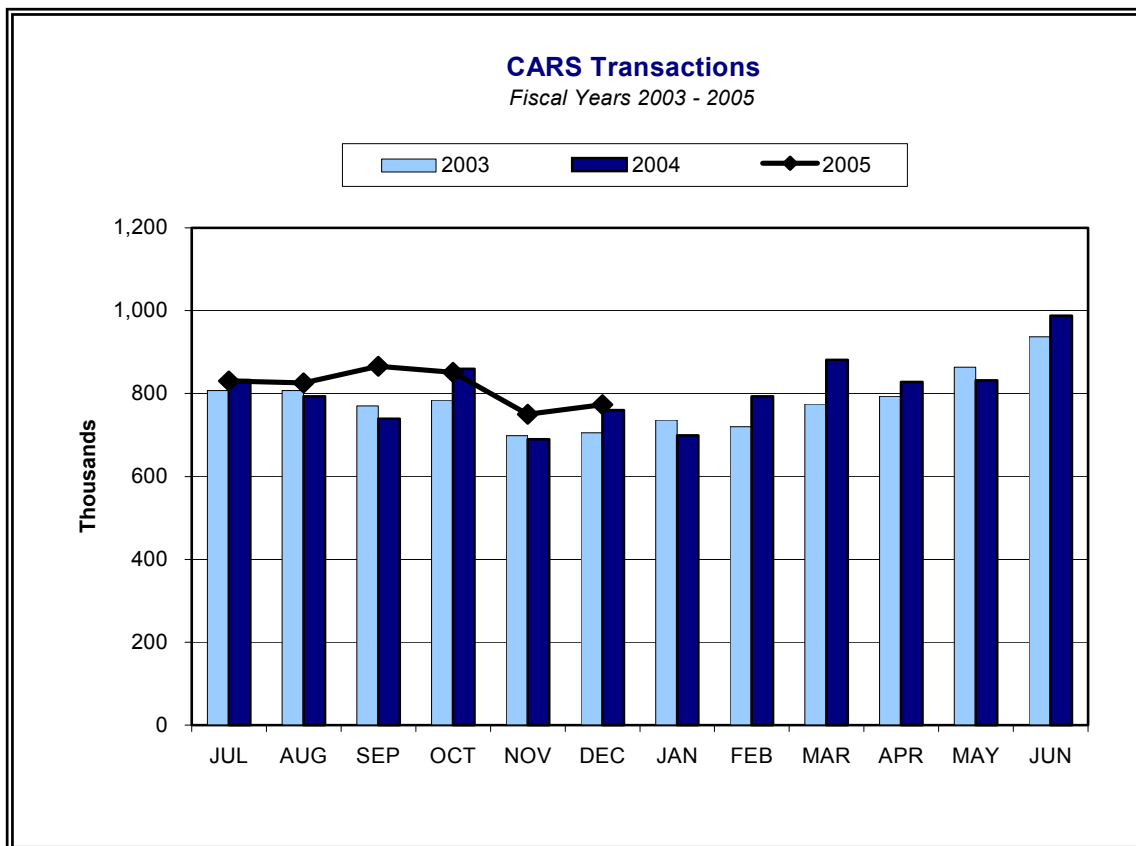
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll,

accounts receivable, indirect cost recoveries, treasury loans, and Fixed Asset Accounting and Control System (FAACS).

### Commonwealth Accounting and Reporting System (CARS)

CARS activity trends provide important information about Statewide accounting. Currently, measures are used to track CARS transactions and error counts. A marked increase or decrease in the

number of CARS transactions may indicate that an agency has changed the way it accounts for an activity. Such change may require DOA review.



### *CARS Edits*

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the second quarter of FY 2005, the most frequent reasons cited for batches being sent to the error file were:

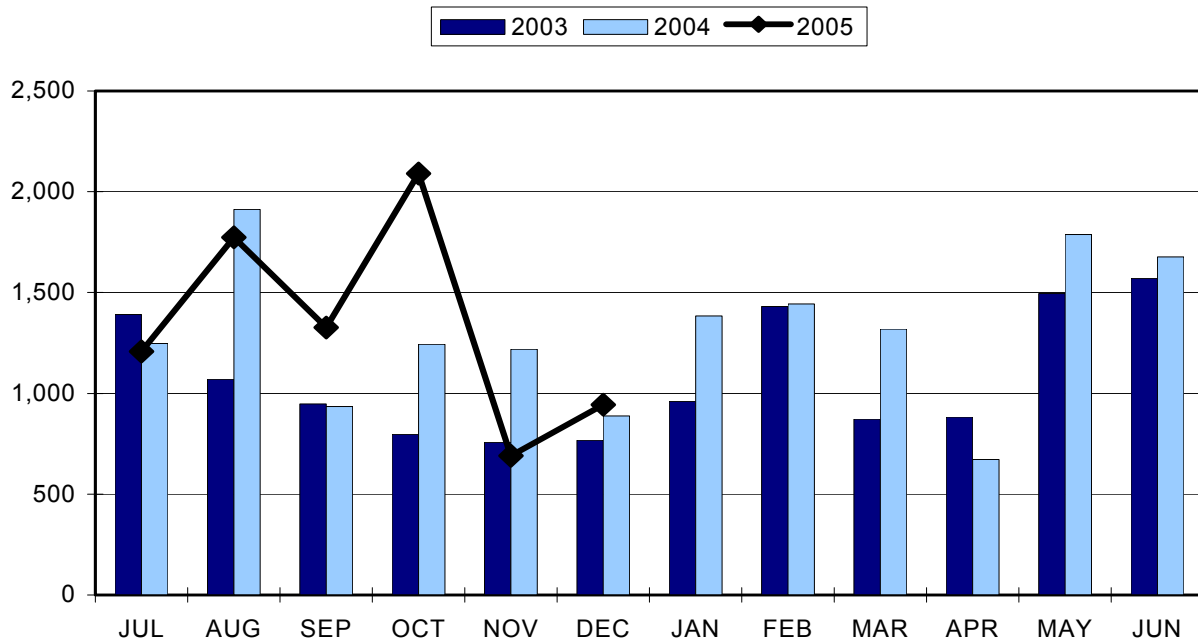
Agencies may avoid such errors by more closely monitoring cash and allotment

- ◆ Available Cash Negative
- ◆ Certified Amount Not Balanced
- ◆ Expenditures Exceed Allotments

balances. Sound agency cash management practices should be developed to ensure transactions are not submitted to CARS when funding is not available. Agencies should develop procedures to ensure certified amounts are calculated properly.

The increase in the average number of daily errors in October was attributable to cash flow problems at several Mental Health agencies and several Community Colleges.

**CARS Monthly Errors**  
**Average Number of Daily Errors**  
Fiscal Years 2003 - 2005

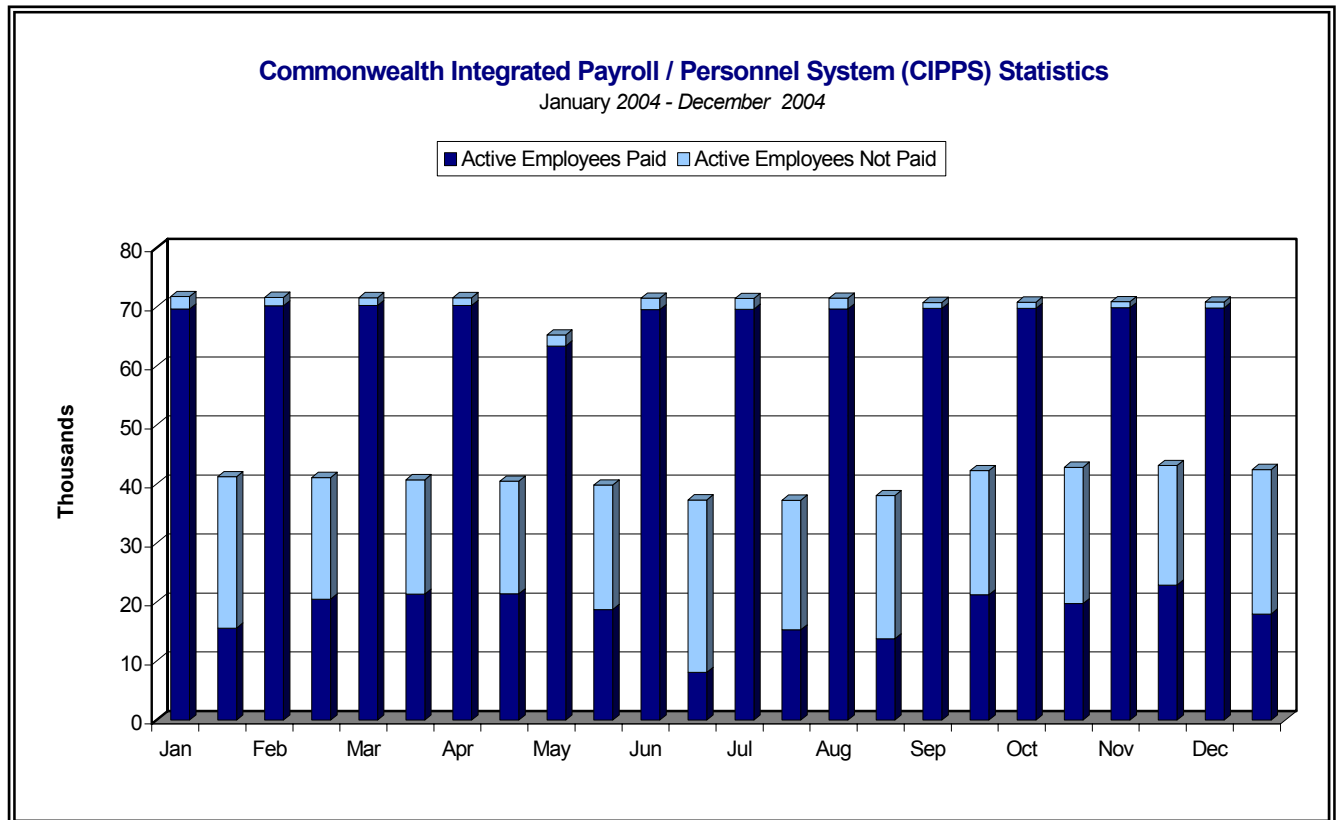


## Payroll

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 113,662 employees. Payroll services are also

provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately \$416- million each month of the quarter. On average, 90,012 employees were paid each month, of which 69,808 are salary employees.



**NOTE:** The first bar for each month represents salaried employees, and the next bar represents wage employees. Not all active employees are paid on a current basis. Examples would include employees on extended leave without pay and adjunct faculty not teaching during the current semester.

Statistics do not include employees of eight institutions of higher education that are decentralized for payroll processing.



### *Benefit Participation by CIPPS Agencies*

The Commonwealth offers a variety of benefits to State employees, including health care, optional retirement plans, deferred compensation, and flexible reimbursement programs. During the quarter, state employees purchased 13,723 savings bonds with a face value of over \$1.7 million.

#### **Benefit Participation Number of Participating Employees**

	<b>As of 12/31/2004</b>	<b>Comparative</b>	
		<b>As of 12/31/03</b>	<b>As of 12/31/02</b>
<b>Health Care</b>			
COVA Care	80,301	79,871	N/A
Key Advantage	N/A	N/A	62,770
Cost Alliance	N/A	N/A	16,719
Aetna - PS	N/A	N/A	191
Aetna - HMO	N/A	N/A	1,202
Optimum Choice - Std.	N/A	N/A	N/A
Optimum Choice - High	N/A	N/A	N/A
Kaiser	1,857	1,872	1,781
Cigna	N/A	N/A	N/A
Piedmont	N/A	N/A	138
<b>Optional Retirement Plans *</b>			
Fidelity Investments	529	268	286
Great West Life	0	15	15
TIAA/CREF	1,511	1,314	1,294
T. Rowe Price	0	66	64
VALIC	0	241	240
Political Appointee - ORP	85	84	76
<b>Deferred Compensation *</b>			
Great West Life	29,617	27,264	25,511
<b>Flexible Reimbursement *</b>			
Dependent Care	695	634	611
Medical Care	4,896	3,448	3,083

\* Statistics do not include employees of eight institutions of higher education that are decentralized for payroll processing.

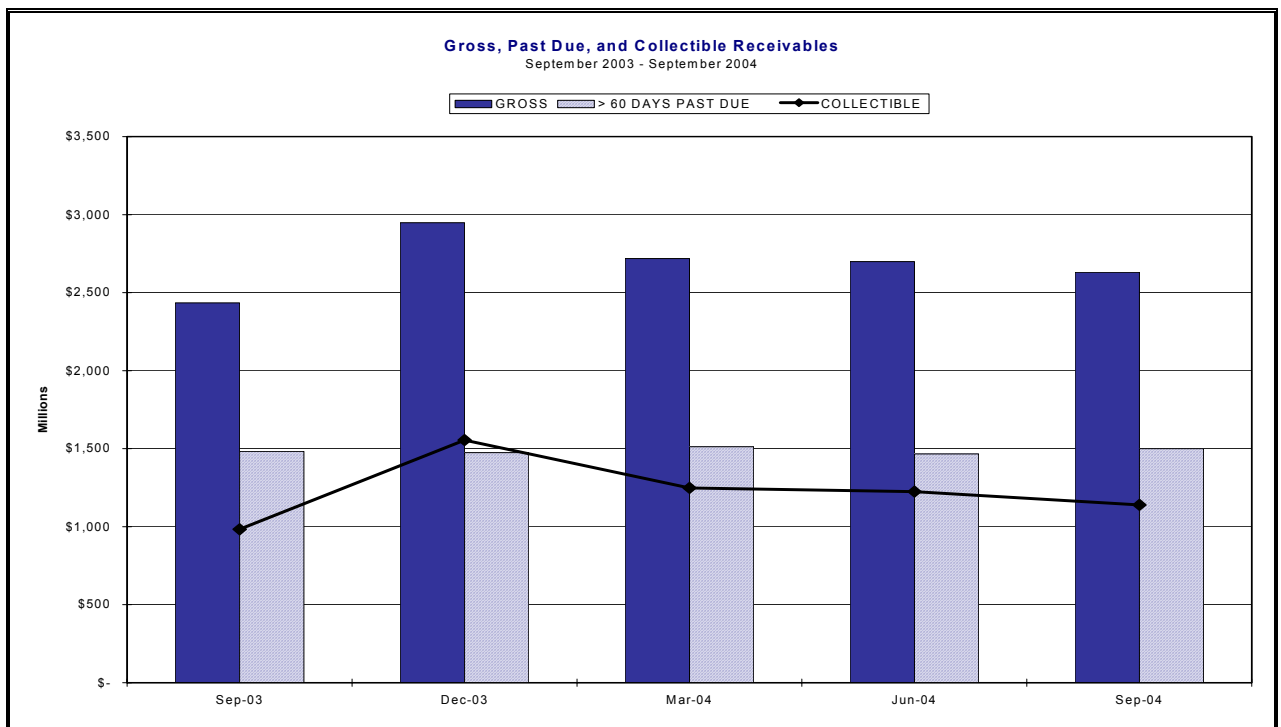
Note: TIAA-CREF and Fidelity are the only ORP's offered to higher education after June 16, 2004.

## Accounts Receivable

Chapter 48 of the *Code of Virginia* requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, collecting, reporting, and writing off accounts receivable. In addition, DOA provides technical assistance to agencies and institutions and uses statistical analyses and audit reports to monitor the ongoing effectiveness of agencies in managing their accounts receivable. Commonwealth agencies and institutions reported total gross receivables of \$2.6 billion at September 30, 2004, with \$1.1 billion considered collectible. Receivables over 60 days past due as of September 30, 2004 totaled \$1.5 billion.

Of that amount, \$761 million was placed with collection agencies or Tax Court Debt Collection Office for additional collection efforts, another \$495 million was with the Department of Taxation's field agents and in-house collectors, and \$229 million was retained in-house for additional collection efforts.

It is important to note that state receivables largely consist of taxes, fines, penalties, tuition and fees, and billings for several indigent care programs, which present numerous special problems in collection. "Trade receivables" typical of the private sector, which are generated by billings for the provision of goods and/or services, make up only a small portion of state receivables.



As of September 30, 2004, agencies expected to collect \$1.1 billion (43 percent) of all receivables. About 25 percent of these receivables are due to the General Fund, primarily for tax

assessments. The balance (\$860 million) consists of amounts due to various nongeneral funds' activities.

### Collectible Receivables by Fund

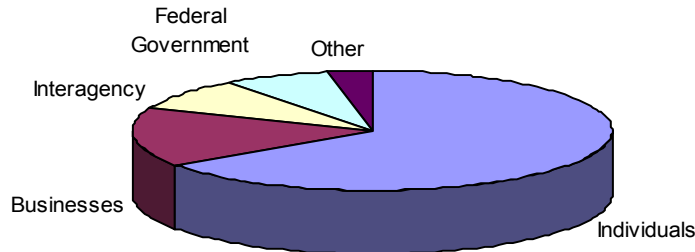
*As of September 30, 2004*

<b>Fund</b>	<b>Source</b>	<b>Amount</b>	<b>Percent</b>
<b>General Fund</b> <b>25%</b>	Medicaid	\$ 78,999,940	28%
	Individual Taxes	113,530,495	41%
	Business Taxes	56,935,714	20%
	Courts of Justice	24,581,122	9%
	Other	5,748,189	2%
	Subtotal	279,795,460	100%
	Interagency Receivables	642,726	0%
<b>Total General Fund Collectible</b>		<b>\$ 280,438,186</b>	<b>100%</b>
<b>Nongeneral Funds</b> <b>75%</b>	Medicaid	\$ 6,172,120	1%
	Unemployment Taxes	67,134,101	8%
	Transportation	54,400,628	6%
	Child Support Enforcement	40,205,605	5%
	Federal Government	82,286,854	10%
	MHMR Patient Services	38,839,901	5%
	Hospital	121,042,785	14%
	Enterprise	56,619,164	7%
	Higher Education	242,484,069	28%
	Courts of Justice	23,335,297	2%
	Other	30,048,516	3%
	Subtotal	762,569,040	89%
	Interagency Receivables	96,977,466	11%
<b>Total Nongeneral Fund Collectible</b>		<b>\$ 859,546,506</b>	<b>100%</b>
<b>All Funds</b>	<b>Grand Total</b>	<b>\$ 1,139,984,692</b>	<b>100%</b>

## Summary of Receivables by Source

### Collectible Receivables by Debtor

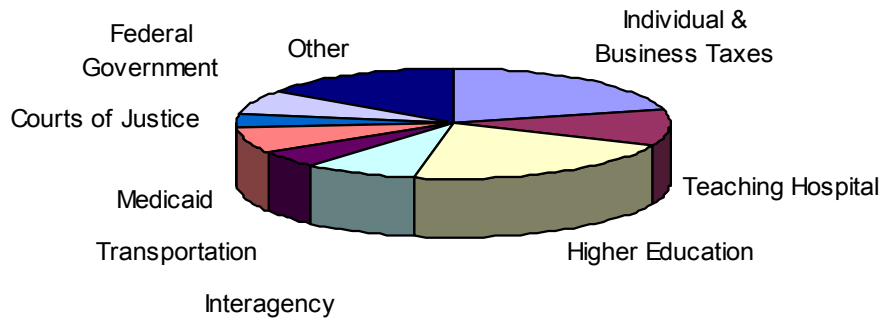
As of September 30, 2004



<u>Source</u>	<u>Amount</u>	<u>Percent</u>
Individuals	\$ 743,591,962	65.2%
Businesses	180,688,979	15.8%
Interagency	97,620,192	8.6%
Federal Government	82,286,854	7.2%
Other	35,796,705	3.2%
<b>Total</b>	<b>\$ 1,139,984,692</b>	<b>100.0%</b>

### Collectible Receivables by Type

As of September 30, 2004



<u>Source</u>	<u>Amount</u>	<u>Percent</u>
Higher Education	\$ 242,484,069	21.3%
Individual & Business Taxes	237,600,310	20.8%
Teaching Hospital	121,042,785	10.6%
Interagency	97,620,192	8.6%
Medicaid	85,172,060	7.5%
Federal Government	82,286,854	7.2%
Transportation	54,400,628	4.8%
Courts of Justice	47,916,419	4.2%
Other	171,461,375	15.0%
<b>Total</b>	<b>\$ 1,139,984,692</b>	<b>100.0%</b>

Ten agencies account for 88 percent of the Commonwealth's gross accounts

receivable and 73 percent of the collectible accounts receivable balances.

**Accounts Receivable Summary**  
*Quarter Ended September 30, 2004*

<b>Agency</b>	<b>Gross</b>	<b>Allowance for Uncollectible Accounts</b>	<b>Collectible</b>
Department of Taxation	\$ 1,045,235,887	\$ 865,837,897	\$ 179,397,990
University of Virginia Medical Center	151,098,617	17,795,236	133,303,381
Department of Social Services	202,069,907	84,320,510	117,749,397
Department of Medical Assistance Services	125,005,833	39,670,578	85,335,255
Virginia Employment Commission	101,169,146	33,137,546	68,031,600
Virginia Polytechnic Institute and State University	64,115,248	995,661	63,119,587
Department of Transportation	54,441,393	1,316,753	53,124,640
Courts of Justice	460,919,420	413,003,001	47,916,419
State Lottery Department	47,904,059	-	47,904,059
Department of Mental Health, Mental Retardation & Substance Abuse Services	58,142,718	19,302,817	38,839,901
<b>Total</b>	<b>2,310,102,228</b>	<b>1,475,379,999</b>	<b>834,722,229</b>
All Other Agencies	319,772,296	14,509,833	305,262,463
<b>Grand Total</b>	<b>\$ 2,629,874,524</b>	<b>\$ 1,489,889,832</b>	<b>\$ 1,139,984,692</b>

In addition to internal administrative collection efforts, agencies have three other collection tools available to them. These are computerized matching and debt setoff programs at the Departments of Taxation, Lottery and Accounts, private collection agencies, and the Attorney General's Division of Debt Collection.

DOA requires state agencies and institutions to use the computerized matching and debt setoff programs for receivables that are 30 days or more past due. DOA also requires the use of private collection agencies on delinquent accounts that are 60 days or more past due that are not sent to the Attorney General's Division of Debt Collection. The Office of the Attorney General requires state agencies and institutions to

send accounts of \$3,000 or more and 60 days or more past due to the Division of Debt Collection.

Effective July 1, 2004, the number of days agencies are permitted to hold past due accounts has been reduced from 90 days to 60 days, unless otherwise permitted by federal or state law.

These additional collection tools recovered \$11.4 million during the quarter ended September 30, 2004. The largest contributor was the private collection agencies, including the Tax Court Debt Collections Office, with collections of \$9.3 million. The debt setoff programs (Tax, Comptroller's and Lottery) collected \$1.3 million, and the Division of Debt Collection contributed \$777,608.

## RECEIVABLES OVER 60 DAYS PAST DUE

*As of September 30, 2004*

<b>Agency</b>	<b>Total Over 60 Days</b>	<b>With Collection Agency (1)</b>	<b>With Attorney General</b>	<b>Retained by State Agency</b>
Department of Taxation	\$ 871,984,772	\$ 376,741,075	\$ -	\$ 495,243,697
Courts of Justice (1)	366,718,108	366,718,108	-	-
Department of Medical Assistance Services	83,248,842	5,228,173	175,821	77,844,848
Department of Social Services	45,788,738	-	-	45,788,738
Virginia Employment Commission	41,975,509	7,764,265	9,303,086	24,908,158
University of Virginia Medical Center	23,268,000	-	-	23,268,000
Department of Mental Health, Mental Retardation, and Substance Abuse Services	16,315,666	-	-	16,315,666
Department of Rail & Public Transportation	6,742,801	-	-	6,742,801
Department of Transportation	3,671,117	-	2,928,811	742,306
Department of Motor Vehicles	3,195,223	535,080	-	2,660,143
<b>Total</b>	<b>1,462,908,776</b>	<b>756,986,701</b>	<b>12,407,718</b>	<b>693,514,357</b>
<i>All Other Agencies</i>	37,996,198	3,909,541	3,961,401	30,125,256
<b>GRAND TOTAL</b>	<b>\$ 1,500,904,974</b>	<b>\$ 760,896,242</b>	<b>\$ 16,369,119</b>	<b>\$ 723,639,613</b>

(1) Amounts include accounts in the hands of Commonwealth's Attorneys functioning as private collectors, as well as the courts' debt and tax debt collection operation, which functions as a private collection agency.

### *Comptroller's Debt Setoff (CDS) Program*

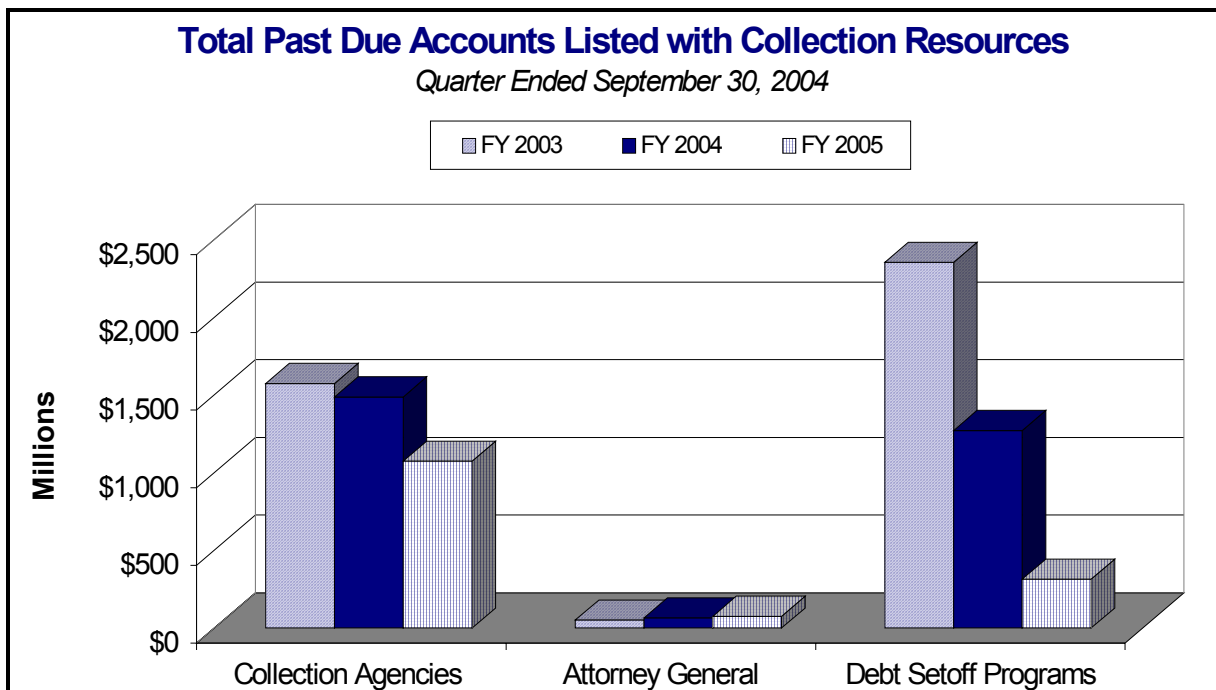
CDS is one of the debt setoff programs used by agencies to collect past due accounts receivable owed the State, primarily by businesses and individuals acting in a business capacity. Under

CDS, a payment made by the State to the debtor may be withheld, in full or in part, to satisfy the debt owed the State. CDS collected \$2.2 million through the second quarter of FY 2005.

One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 60 days past due. The table looks at trend percentages of receivables over 60 days past due as a percentage of gross receivables for the agencies with the largest amounts over 60 days past due. Prior year percentages have been adjusted to reflect the new 60 day requirement.

### Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent at 9/30/04	Comparative	
		Percent at 9/30/03	Percent at 9/30/02
Department of Taxation	83%	88%	88%
Courts of Justice	80%	79%	78%
Department of Medical Assistance Services	67%	47%	57%
Department of Social Services	23%	21%	7%
Virginia Employment Commission	42%	42%	38%
University of Virginia Medical Center	15%	32%	28%
Department of Mental Health, Mental Retardation, and Substance Abuse Services	28%	23%	12%
Department of Rail & Public Transportation	41%	67%	2%
Department of Transportation	7%	32%	11%
Department of Motor Vehicles	50%	13%	22%
<b>Statewide Average - All Agencies</b>	<b>57%</b>	<b>61%</b>	<b>56%</b>



Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible account receivables balances. In total these ten agencies are responsible for 73 percent of the Commonwealth's collectible receivables balances. Percentages over 100% indicate the collection of prior balances as well as current billings.

In evaluating these percentages it is important to understand that the percentage may fluctuate based on how the different agencies conduct their business. For example, the VEC percentage is 76 points lower in the first quarter than the previous fourth quarter because employer taxes billed are highest in the first quarter of the calendar year, and decline steadily after that as more covered employees' withholding ceilings are reached.

The statewide average of 85% indicates that for every \$1 billed during the quarter ended September 30, 2004, the state collected 85 cents. This rate is a 5% increase from last quarter, unchanged from last year, and an 11% decrease compared to two years ago. The main contributor to the decline from two years ago is the Department of Taxation (TAX). TAX reported collections of \$78.5 million and billings of \$199.7 in the current reporting quarter, versus collections of \$70.5 million and billings of \$ 68.9 million for the September 30, 2002 quarter. TAX attributes the large jump (\$131 million) in billings to the heavily automated improved Tax Compliance program, including the new Advantage Revenue system.

### Collections as a Percentage of Billings

Agency	Percent at 9/30/04	Comparative	
		Percent at 9/30/03	Percent at 9/30/02
Department of Taxation	39%	<b>44%</b>	<b>102%</b>
Courts of Justice	57%	<b>50%</b>	<b>58%</b>
Department of Medical Assistance Services	76%	<b>50%</b>	<b>49%</b>
Department of Social Services	91%	<b>97%</b>	<b>86%</b>
Virginia Employment Commission	129%	<b>110%</b>	<b>102%</b>
University of Virginia Medical Center	51%	<b>70%</b>	<b>60%</b>
Department of Mental Health, Mental Retardation, & Substance Abuse Services	33%	<b>49%</b>	<b>88%</b>
Virginia Polytechnic Institute and State University	87%	<b>84%</b>	<b>83%</b>
Department of Transportation	91%	<b>99%</b>	<b>100%</b>
State Lottery Department	95%	<b>111%</b>	<b>98%</b>
<b>Statewide Average - All Agencies</b>	<b>85%</b>	<b>85%</b>	<b>96%</b>



The following table is prepared in accordance with the provisions of Section 2.2-603.E. (ii) of the *Code of Virginia*. It is the ninth report issued since the provision took effect on July 1, 1996. Twenty state agencies held over 99% (\$1.67 billion) of the Commonwealth's \$1.69 billion past due accounts receivable at June 30, 2004.

### Agencies with the Largest Volume of Past Due Receivables

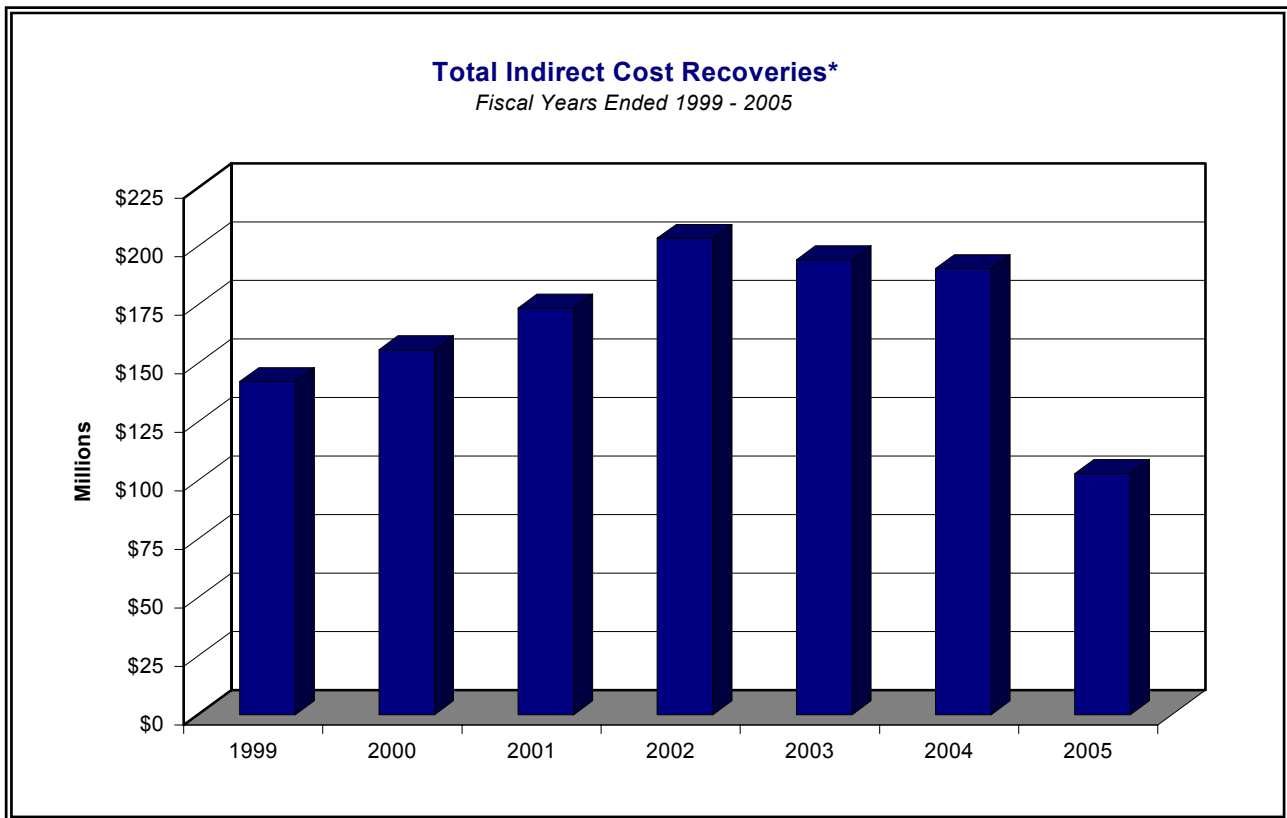
As of June 30, 2004

Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 936,539,089	\$ 401,707,264	\$ 178,277,275	\$ 356,554,550
Courts of Justice	390,209,644	29,812,089	51,458,201	308,939,354
Department of Medical Assistance Services	99,570,504	10,146,418	57,406,968	32,017,118
University of Virginia Medical Center	83,114,326	74,574,396	8,543,177	(3,247)
Virginia Employment Commission	46,928,506	16,395,464	8,384,282	22,148,760
Department of Social Services	40,107,922	2,673,129	2,640,811	34,793,982
Department of Mental Health, Mental & Substance Abuse Services	20,929,507	19,611,544	1,269,022	48,941
University of Virginia	8,482,270	7,367,663	502,006	612,601
Virginia Polytechnic Institute and State University	7,056,538	5,091,861	891,147	1,073,530
Norfolk State University	5,469,040	4,226,424	644,724	597,892
Virginia Commonwealth University	5,436,458	3,405,770	1,013,853	1,016,835
Virginia Community College System	4,889,070	4,368,768	326,104	194,198
George Mason University	4,578,377	3,900,855	368,232	309,290
Department of Transportation	3,693,099	146,563	273,179	3,273,357
University of Virginia's College at Wise	3,113,897	3,112,515	546	836
Department of Forestry	2,228,485	2,170,723	57,762	-
Workers' Compensation Commission	2,154,887	670,226	681,705	802,956
Department of Motor Vehicles	2,062,647	1,273,522	755,758	33,367
Department of Labor and Industry	1,986,516	305,277	225,440	1,455,799
State Corporation Commission	1,887,734	1,887,054	-	680
<b>Total - Largest Dollar Volume Agencies</b>	<b>1,670,438,516</b>	<b>592,847,525</b>	<b>313,720,192</b>	<b>763,870,799</b>
All Other Agencies	21,242,470	15,414,602	1,855,332	3,972,536
<b>Grand Total Past Due Receivables</b>	<b>\$ 1,691,680,986</b>	<b>\$ 608,262,127</b>	<b>\$ 315,575,524</b>	<b>\$ 767,843,335</b>

## Indirect Costs

The Department of Accounts prepares a Federal Statewide Indirect Cost Allocation Plan (SICAP) annually that identifies the central service agency General Fund support provided to all State agencies. Agencies receiving Federal grants or contracts prepare indirect cost rate proposals or cost allocation plans that include both the

agency (agency specific overhead expenditures) and Statewide (overhead expenditures incurred by the State's central service agencies for support provided to other State agencies) indirect costs associated with the administration and management of federal, State, or private grant and contract activity.



\*FY 2005 reflects indirect cost recoveries through December, 2004.

## Indirect Cost Recoveries From Grants and Contracts

*Fiscal Year 2005*

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 76,627,640	\$ 23,812,360	\$ 100,440,000
Statewide	1,332,688	647,765	1,980,453
<b>Total Nongeneral</b>	<b>77,960,328</b>	<b>24,460,125</b>	<b>102,420,453</b>
General:			
Agency (Cash Transfers)	-	168,861	168,861
Statewide	-	368,239	368,239
Statewide (Cash Transfers)	-	594	594
<b>Total General</b>	<b>-</b>	<b>537,694</b>	<b>537,694</b>
<b>Total All Funds</b>	<b>\$ 77,960,328</b>	<b>\$ 24,997,819</b>	<b>\$ 102,958,147</b>

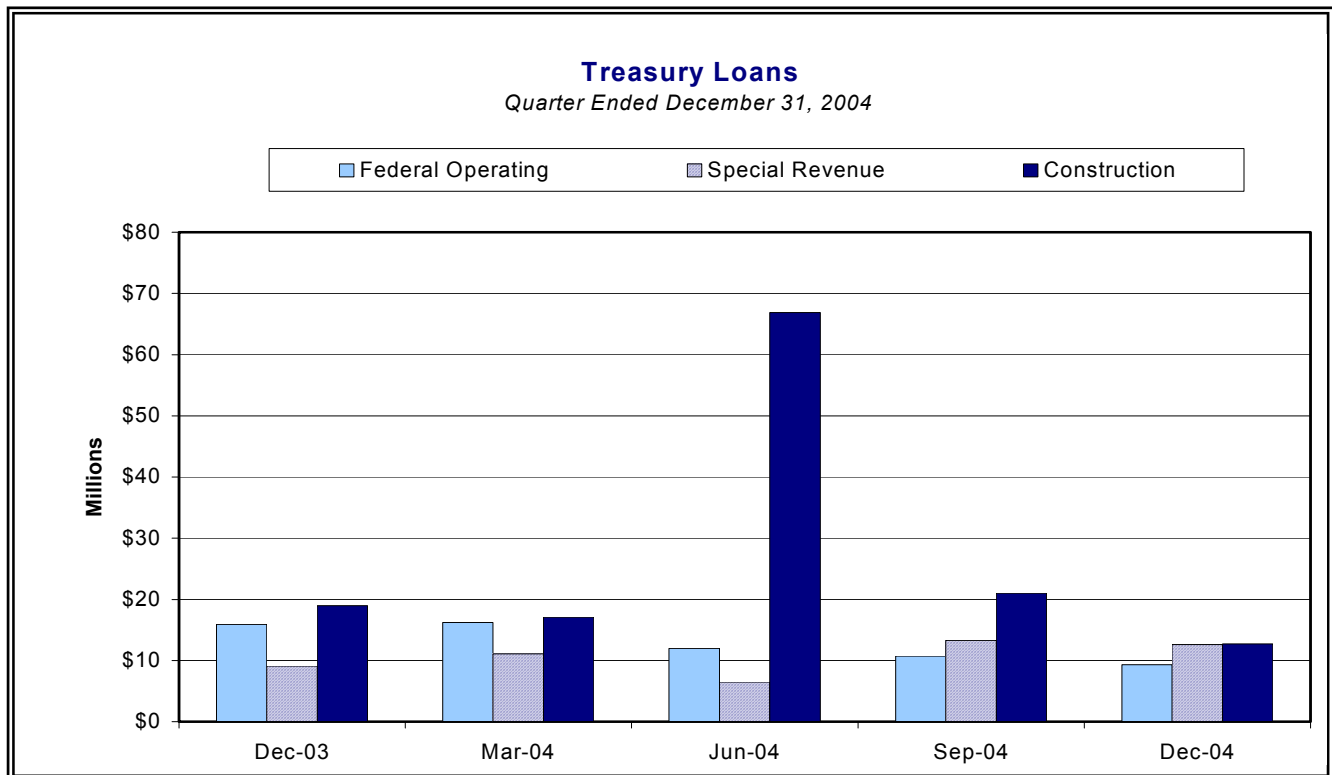
- (1) The Department of Social Services records all federal monies received in CARS. However, they do not separately classify such receipts between direct and indirect. Included in the agency nongeneral fund category is \$15,050,339 representing the Department of Social Services' estimate of indirect cost recoveries received.



## Loans and Advances

Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement. Working capital advances and lines of credit are other methods for ensuring that an agency or

institution has sufficient operating cash, within its appropriation, prior to collection of revenues. The total of all types of treasury loans and advances as of December 31, 2004, was \$34.6 million.



These advances are in the form of temporary loans funded on the basis of the following conditions:

◆ **Anticipation of Federal Operating Funds** supports the operations of federal grants and contract programs for which advance funding has been delayed or for those that require expenditure of funds prior to federal reimbursement.

◆ **Anticipation of Special Revenue Funds** supports the operations of non-general funded activities when collections are spread unevenly throughout the year while expenses require steady funding.

◆ **Construction** supports capital projects in anticipation of the sale of authorized debt or other financing for such projects.

Other types of loans and advances that are not charted include:

◆ **Authorized Appropriation Deficit**, which provides funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans outstanding at December 31, 2004.

◆ **Working Capital Advances**, which provide operating funds for nongeneral fund projects when revenues to be used for repayment will not be generated within the twelve months required for anticipation loans. There were no outstanding working capital advances at December 31, 2004.

### Significant New Loans/Drawdowns

***College of William and Mary***

Approval of loan to renovate Commons Dining Hall.	\$5,123,000
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***University of Mary Washington***

Approval of loan to renovate Seacobeck Dining Hall.	\$2,500,000
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***Virginia Commonwealth University***

Approval of loan to construct the Administrative Information Technology Building.	\$5,056,989
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Approval of loan to construct a new School of Business.	\$1,143,363
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Approval of loan to construct Phase II of the School of Engineering.	\$1,939,185
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Approval of loan to renovate Sanger Hall Laboratory.	\$1,517,633
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### Significant Loan Repayments

<b><i>Virginia Military Institute</i></b>	\$1,000,000
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Repayment of loan that provided advance funding for the renovation and enlargement of Crozet Hall as well as parking.

***Department of General Services***

Repayment of loan to acquire Virginia Retirement System's parking deck.	\$5,700,000
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***Department of Veterans Services***

Installment payment on 2001 loan that provided funding for the Hampton Roads Veterans Cemetery.	\$1,600,273
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## Fixed Asset Accounting and Control System (FAACS)

FAACS is the Commonwealth's fixed asset accounting system. State agencies are required to enter capitalized assets (cost \$5,000 or greater) into FAACS. This system produces reports that help agencies track and generally manage their assets. It also provides financial information for the Comprehensive Annual Financial Report (CAFR) of the Commonwealth.

For the second quarter of FY 2005, the agencies and institutions of the Commonwealth that are central users of FAACS processed 9,032 FAACS

transactions. This volume of FAACS transactions represents an 11.4 percent decrease from the first quarter of FY 2005 (10,194 transactions).

Second quarter FY 2005 volume is 81.5 percent higher than that of the second quarter of FY 2004 (4,977 transactions). This increase is mostly due to agencies transferring information technology assets to VITA.

### Number of Fixed Asset Transactions

*Fiscal Years 2003 - 2005*

